

SASKATCHEWAN RESEARCH COUNCIL 2008/2009 ANNUAL REPORT

Exploring the *Next Frontier*



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SRC's Mission

SRC's mission is to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment. We do it through research, development, and the transfer of innovative scientific and technological solutions, applications and services.

SRC's Vision

SRC will be an internationally recognized leader in the development and implementation of relevant science and technology. We are committed to use this strength to enable our customers to thrive in the world economy, and to benefit Saskatchewan.

SRC's Purpose

SRC creates wealth through the responsible application of science and technology to assist Saskatchewan industry to be globally competitive.

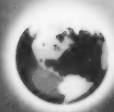
We create wealth through

- i) increasing production (of goods and services)
- ii) adding value (to goods and services)
- iii) improving productivity
- iv) creating and commercializing new products and services

The Research Council Act

Section 21 (2) directs that:

Every report shall be laid before the Legislative Assembly in accordance with The Tabling of Documents Act, 1991.



Letter of Transmittal

June 2009

Letter of Transmittal

To the Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May it please your Honour:

The undersigned presents herewith, for your consideration, the report of the Saskatchewan Research Council for the year ended March 31, 2009.

Respectfully submitted,



Honourable Bill Boyd
Minister Responsible for SRC





Message from the Chair

The past year was memorable, but most of the world would like to forget it. The deepest economic decline since the 1930s caused massive restructuring of the financial sector, took a terrible toll in terms of lost jobs and led to the bankruptcy of industrial icons. The effects of this restructuring will be felt for years to come.

Amongst this turmoil, Saskatchewan was one of the few havens of stability and even growth. The rest of the world is recognizing the vast resources that Saskatchewan can provide to a planet searching for energy, food and other necessities of life. This demand points to a bright future for the province.

Despite the relatively healthy economy within Saskatchewan, the economic downturn obviously had an impact on SRC's operations. The collapse of capital markets immediately affected SRC's many small- and medium-sized enterprise clients and eventually impacted almost every market niche served by SRC. Our success in serving customers outside of Saskatchewan had a downside: their struggles affected us. The turmoil in global financial markets and an altered economic landscape required SRC and organizations around the world to quickly respond to rapid market changes and to consider how to plan for uncertain times.

Our Board is proud of how SRC's management and employees responded to this challenge. They implemented a balanced approach to managing the short-term market realities while maintaining a steady focus on SRC's strategic plans for the medium and long-term. By reacting promptly, but not rashly, management was able to reduce expenditures, internally cross-train and transfer people wherever possible, minimize the number of layoffs, and still exceed its revenue growth and net income targets.



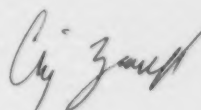
In times of cost-cutting, areas that seemingly do not immediately contribute to the bottom line are often the first to go. Impressively, SRC's response protected key strategic focus areas like safety, employee development, and continuing to build expertise and capacity to advance industries across Saskatchewan's strategic economic sectors. This is the approach of a mature company with a seasoned management team. With eight years of consistent revenue growth in hand, through good times and bad, SRC is showing that it is one of Saskatchewan's important economic drivers.

SRC continues to play a key enabling role in Saskatchewan's economic growth story by supplying *Smart Science Solutions*™ to our industry, business, community and government clients. Whether in applied research, development, design, scale-up, demonstration or commercialization of technology, SRC is helping expand Saskatchewan's capacity to grow and succeed. The province's strong position relative to other regions owes much to past investments and activities by many different entities, including SRC. We believe we have helped diversify the provincial economy and create an innovation ecosystem that will continue to be a leader in Canada and the world.

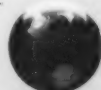
SRC contributed to increases in economic activity from petroleum and coal, to agriculture and biotechnology, to alternative energy and manufacturing. Even in the hard-hit mining and minerals sector, SRC contributed to increased economic activity in potash. SRC's positive impacts aren't just about the money. SRC is also doing its best to help industry and governments protect and preserve Saskatchewan's environment. There is no better example of this than Project CLEANS, an unprecedented multi-decade \$47.9-million initiative to assess and cleanup abandoned uranium mines in northern Saskatchewan.

As Chair, I was particularly pleased with the work that the Board of Directors and the Executive Team did together on the development of SRC's first Corporate Social Responsibility (CSR) Strategy. Being an active force in developing a growing economy with quality jobs and a secure environment has been at the core of SRC's mandate, mission and strategic objectives since 1947, but the CSR Strategy is intended to help us go further. Corporate social responsibility is SRC's commitment to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. We will strive to be leaders in developing *Smart Science Solutions*™ and smart sustainable solutions that are consistent with this responsibility. Our CSR Vision is to be recognized as a strong business, known for integrity, safety, employee and client relations, environmental leadership and community engagement. To move this strategy forward during a time of economic turmoil is even more impressive.

The worst of the economic storm may be behind us, but the recovery will be difficult. At SRC, we are well aware that value in the coming years will depend on real solutions, not phantom promises. Those solutions are what we have built our business on for over 60 years and we intend to mirror Saskatchewan's contribution to the world: providing real solutions and services in a responsible and sustainable manner.



Craig Zawada
Chair, Board of Directors





Message from the President

services that industries need to capitalize on emerging market opportunities in our diverse economy. Here are some highlights of what SRC has accomplished and how we are improving to achieve even more.

In petroleum, we are developing oil recovery and transportation technologies that will improve efficiency while reducing such adverse environmental impacts as energy and water use. In **Next Frontier** activities, we have built a Saskatchewan Oil Sands Industry Support (SOSIS) team and are building dedicated new laboratory and pilot plant facilities. The SOSIS team is developing market-pull solutions customized for the Saskatchewan resource.

In agriculture and biotechnology, we are helping industry to pursue added-value in both new and established crops. We are adapting and scaling-up technology to produce DNA analyses that identify specific wheat classes and varieties. If successful, this technology will provide reliable quality assurance for the grain industry. In **Next Frontier** activities, we have built a Saskatchewan Bioenergy Systems Industry Support (BioSIS) team to develop made-in-Saskatchewan technologies for the conversion of waste and byproduct biomass, like straw, branches, bark and sawdust, into energy, fuel or other products.

Our theme for this, our 62nd annual report is **Exploring the Next Frontier**. Actually, we are exploring several new frontiers, from developing more environmentally friendly ways to develop nonrenewable resources, to developing ways to turn renewable waste biomass into energy, fuel and products.

In response to the economic recession we have continued to innovate. Although some of the economic sectors we serve were hard-hit, we embraced the challenge, quickly adapted, and we ended the fiscal year very well-positioned for rapid growth. In our continuing mission to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment, we have ventured into new business areas and enhanced established services. Both are helping our clients to weather the recession and position to thrive. We supply the applied research, development, design, scale-up, demonstration, commercialization and technical

We are supporting alternative energy and manufacturing by developing alternative fuel technologies for vehicles and machinery. We are working to launch the province's first hydrogen fuel station and a range of multi-fuel vehicles, such as Dual-Fuel™ natural gas/gasoline hybrid electrics. We also manage several expanding programs that enable Saskatchewanians to reduce their energy use and even create their own clean power.

Although the mining and mineral sector has generally been set-back by the recession, potash exploration and development activities have expanded. We have responded with a new potash laboratory and new analytical techniques to meet the industry's increasing need for sophisticated analyses.

We also work closely with our clients to help preserve and improve Saskatchewan's environment. This year we expanded our work in air emissions monitoring and plume modelling to help industries with environmental compliance. Project CLEANS, our multi-year initiative



to assess and cleanup abandoned uranium mines in northern Saskatchewan, is advancing and we have established a Project Review Committee that engages representatives from affected communities in the Athabasca area. Increasingly, we are working on projects aimed at creating positive environmental impacts, regardless of the economic sector for which the work is done: about 37 per cent of all SRC projects had a significant environmental and/or social benefit component last year.

Recruiting Explorers for the Next Frontier.

Exploring new frontiers requires the right explorers, like SRC climatologist Elaine Wheaton, a member of the International Panel on Climate Change (IPCC) and a co-winner of the 2007 Nobel Peace Prize. Last year we launched a successful **Next Frontier** recruiting campaign to find more of the best possible employees to help us lead the way in developing, demonstrating and commercializing technology solutions. Part of the campaign's success comes from focusing on strategic growth areas, such as oil sands and biomass-to-energy conversion.

Working Safely. Safety is our over-riding priority and we continue to strive for leading-edge safety performance. According to our surveys, almost all of our employees are personally satisfied with the safety performance of SRC, and almost all employees feel empowered to take action to ensure their safety and that of others. We are proud of Lianne Carpenter, who received the **2009 Safe Worker Award** (sponsored by WorkSafe Saskatchewan, the Saskatchewan Federation of Labour, and the Saskatchewan Safety Council) for her exemplary commitment to workplace health and safety.

Success in the Next Frontier. As Saskatchewan's premier provider of applied research, development and technology demonstration, success for us means creating and demonstrating positive impacts for Saskatchewan. Our annual economic impact assessment shows that we again achieved exceptional impacts this past year with over \$447-million in direct economic benefit to the province plus over \$40-million worth of jobs created or maintained. This means that for every dollar invested in SRC, we generated a 37-times return. Probably no other Canadian research institution can say the same.

We strive to enhance these strong economic impacts by providing responsible science solutions to help ensure a safe, secure and sustainable environment. Last year we undertook more than \$16-million in projects aimed at creating positive environmental and/or social impacts. This work contributed to at least 10,000 tonnes of greenhouse gas emission reductions and energy savings of over 29 million kWh/year. We also partnered in several projects that resulted in positive social impacts such as increased safety and security, enhanced quality of life and skill development.

Our successes are the result of exemplary achievements by dedicated people. I thank our employees and our Board of Directors for their enthusiasm, patience, creativity and contributions. I also thank our Executive Team, who "dug deep" and worked closely with me to ensure that we responded promptly, but not rashly, to the precipitous impacts of the recession on our businesses. We achieved our key short-term business objectives including maintaining almost perfect overall client satisfaction and protecting the bottom line. At the same time we remained focused on strategy and protected our key capacity-building initiatives. All in all we ended the year more visible, stronger, better managed and better positioned strategically than we entered it. I have never been more proud of our people.

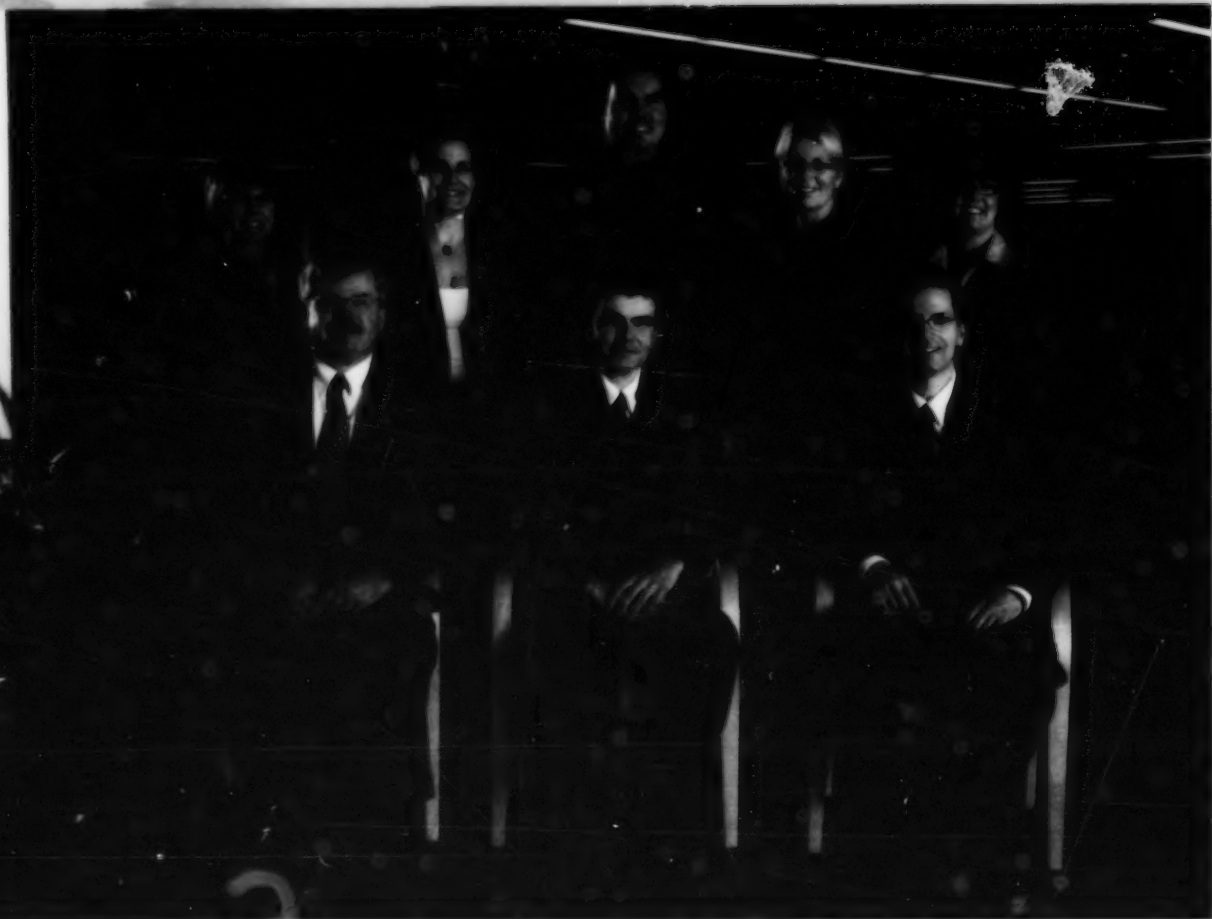
As we venture into the **Next Frontier**, I would also like to thank our 1,900 clients and partners for their support and commitment to mutual success – we are successful when you are. Working together, we can continue to unlock the tremendous potential that remains latent in Saskatchewan. With *Smart Science Solutions*™ we can unlock this potential in ways that are economically efficient and socially and environmentally responsible.



Laurier Schramm
President and Chief Executive Officer



Board of Directors



Left to right (Back Row): Patsy Gilchrist, Peta Bonham-Smith, Lee Wilson, Shelley Lipon, Kathy Palidwar
Left to right (Front Row): Laurier Schramm (Secretary), Craig Zawada (Chair), Doug Kelln (Vice-Chair)

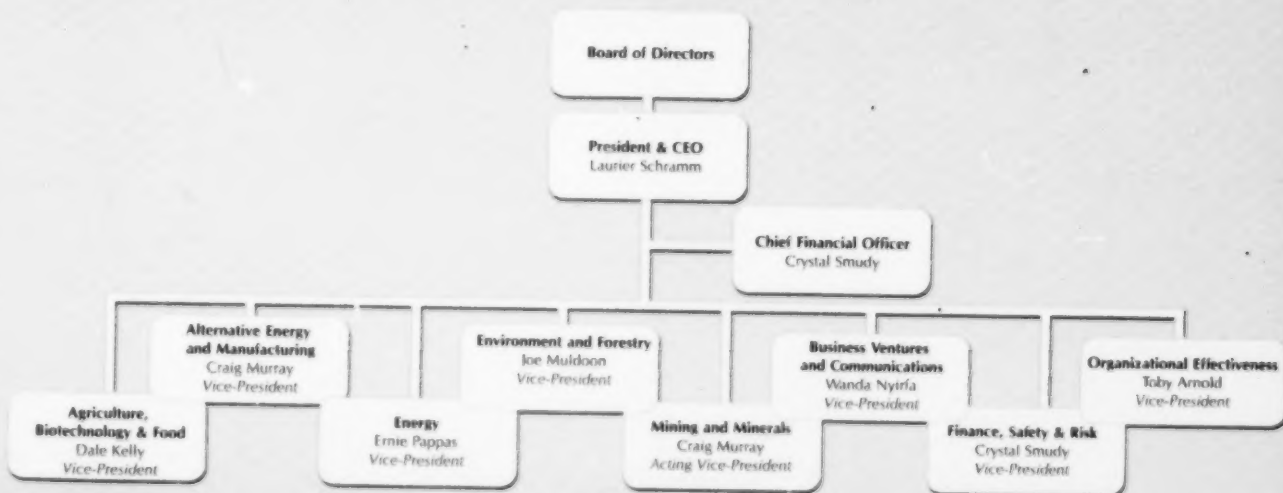


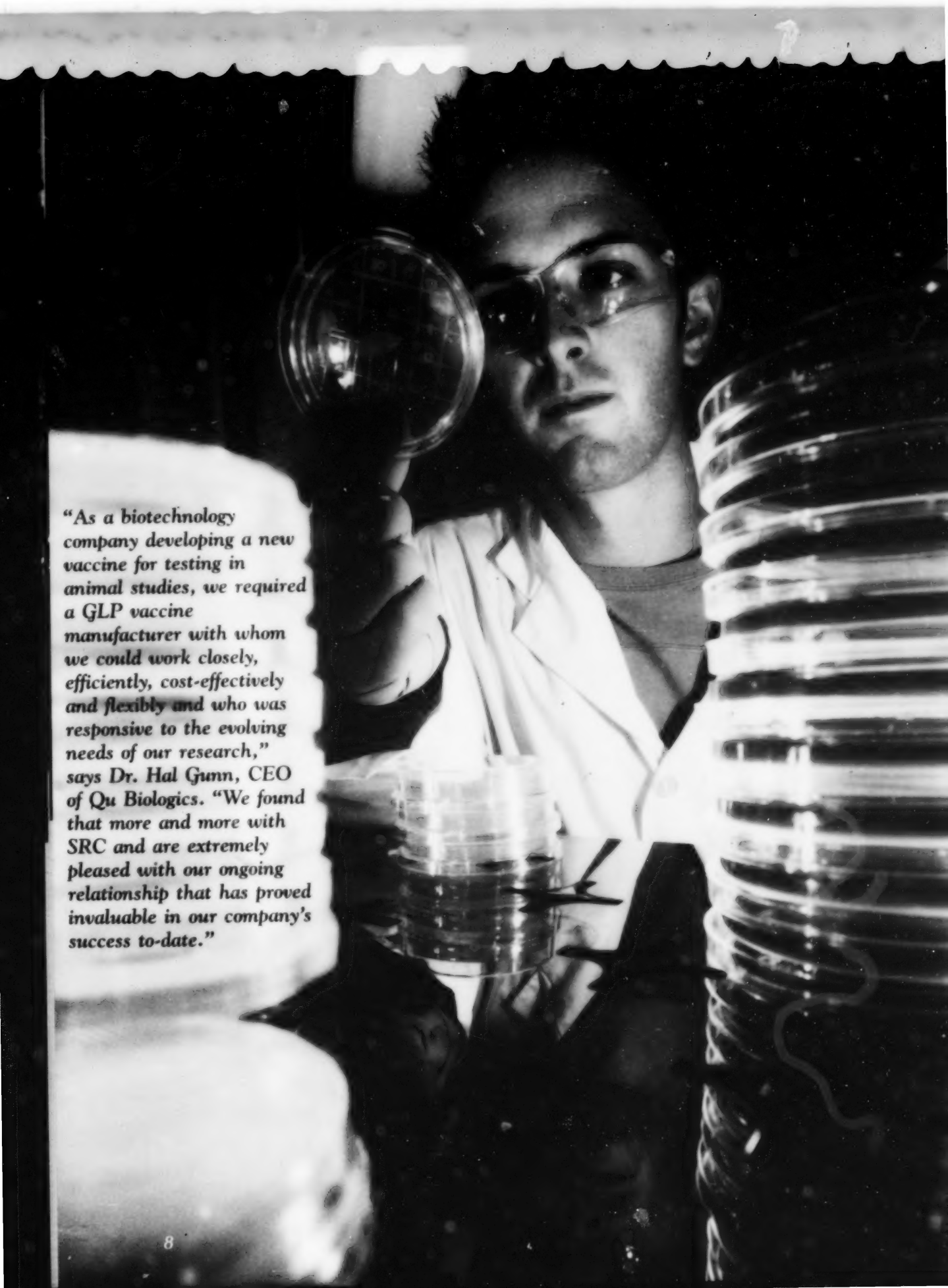
Executive Team

As of June 1, 2009



Left to right (Back Row): Crystal Smudy, Toby Arnold, Ernie Pappas, Craig Murray, Dale Kelly
Left to right (Front Row): Joe Muldoon, Laurier Schramm, Wanda Nyirfa





"As a biotechnology company developing a new vaccine for testing in animal studies, we required a GLP vaccine manufacturer with whom we could work closely, efficiently, cost-effectively and flexibly and who was responsive to the evolving needs of our research," says Dr. Hal Gunn, CEO of Qu Biologics. "We found that more and more with SRC and are extremely pleased with our ongoing relationship that has proved invaluable in our company's success to-date."

Agriculture, Biotechnology & Food

BEYOND VACCINES: EXPANSION OPENS THE DOOR TO BIOTECH AND BEYOND

The Agriculture, Biotechnology and Food Division has a \$1.2-million facility that is opening new doors to emerging bioprocessing areas. Launched in 2008, the newly consolidated facility complements other organizations within the biotech cluster.

The renovated facility supplies more office space, quality control and analytical laboratories and a multi-purpose bioprocessing lab that expands non-regulated fermentation capacity.

The possibilities are exciting, says business unit manager Dr. Mike Whiting, because SRC has more flexibility and capacity to diversify its business into other important areas, while still growing business in the highly regulated world of vaccine production.

The facility is already utilized for its Biosafety Level 2, Good Laboratory Practice (GLP), Fermentation Pilot Plant and for assisting companies such as Qu Biologics in developing and producing vaccines.

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Whiting explains that with the renovated facility's new capacity, SRC can be a vehicle for even more industry development.

By adding non-regulated fermentation capacity and expertise, there are few limits to the type of public and private sector research now possible.

Biofuels are a good example. SRC is already known for developing a catalyst to convert renewable feedstocks at high temperatures to create fuel, but there are other biological conversion processes using

microbes that can be explored. Whiting expects to see second and third generation biofuel research and development directly relevant to agriculture performed in the new facilities.

On the horizon, Whiting sees new prospects for SRC in the fluctuating economy. While some companies are not able to sustain their own laboratories, many are still interested in pursuing promising research projects using SRC's veterinary biologics services and its pilot fermentation plant.

The point is, SRC and Saskatchewan have a lot to look forward to when it comes to biotechnology.

"Biotechnology offers a vast array of potential improvements and solutions to meet societal needs," says Whiting. "With the combination of our expertise in Agriculture, Biotechnology and Food, as well as what's available within SRC's other divisions, we can convert that potential value into real value for both industry and the people of Saskatchewan."

TEAMING UP TO TRANSFORM THE BIOPROCESSING INDUSTRY

Many news reports concentrate on how seeds from agriculture crops are turned into ethanol, but a team of SRC scientists is finding new ways to turn plant stalks, wood chips and a wide mix of biomass sources into fuel, energy and other useful products.

SRC's Saskatchewan Bioenergy Systems Industry Support (BioSIS) team formed last year to establish SRC's interests in bioprocessing. The team has already attracted industry partners and university collaborators to help develop and adapt the bioprocessing technology that will create these products.

Saskatchewan's natural resources will provide more than enough material for the new team to work with, says Darren Anweiler, SRC's senior bioprocessing research engineer.

To put it another way, at current levels Saskatchewan has enough waste and byproduct biomass to replace its entire current petroleum use on a green renewable

basis without taking away any agricultural products from food and feed markets.

This biomass abundance also presents challenges. Saskatchewan's diverse biomass resources include slough-grasses, flax straw, branches, bark and sawdust. Finding the best way to process these different materials will require customized, made-in-Saskatchewan technologies.

To take on the task of adapting these technologies, the team is focusing on two research areas—biomass conversion and syngas-pyrolysis oil technology.

BioSIS has already begun working with the UofS on a pyrolysis project that will investigate taking biomass such as straw, heating it up and using the resulting products as fertilizer and fuels.

"Our work with the BioSIS team highlights the potential that exists for collaboration between UofS and SRC. SRC does an excellent job at implementing new technologies in Saskatchewan and elsewhere while the UofS provides the fundamental and applied research capacity that complements and supports this technology development," says Dr. Todd Pugsley, professor of chemical engineering and special advisor on energy to UofS vice-president of research.

The team is also partnering with the university to develop syngas technology. Syngas—a synthetic hydrogen and carbon monoxide mixture—can be used in fuel cells and industrial processes. Gasification technology can even turn waste biomass into synthetic gas that can be used to generate electricity.

SRC has already demonstrated how it can apply bioprocessing techniques like syngas using made-in-Saskatchewan technology. A recent example is when SRC worked with Nipawin Biomass New Generation Co-operative Ltd. to develop biomass waste gasification technology. This process uses heat to break down biomass, such as wood chips and excess straw, into syngas. The gas then passes through a catalyst chamber that sparks a chemical reaction to produce ethanol.

To help more Saskatchewan communities take advantage of bioprocessing, the BioSIS team has started recruiting leading scientists to begin researching new technologies.

SRC is also assembling a new bioprocessing and catalyst development laboratory. Because BioSIS is a cooperative research team, SRC has consulted its university and industry partners to ensure that the new laboratory has the right tools to design technologies with practical applications in Saskatchewan communities.

The team and its new laboratory will be using \$2.1 million in new funding from the provincial Go Green fund to pursue ethanol conversion and other biomass research.

With SRC's successful bioprocessing track record, an expanded team of scientists and a leading edge lab, the opportunities for BioSIS are boundless.

DNA TEST COULD ID WHEAT CLASSES AND VARIETIES

SRC signed an agreement with Agriculture and Agri-Food Canada (AAFC) to develop a commercial test that uses DNA analysis to identify different wheat classes and varieties.

This potential test could help meet a need in Canada's wheat industry, which is searching for an alternate way to identify wheat classes since the Kernel Visual Distinguishability (KVD) system was eliminated in August 2008.

Until that time, KVD served as a visual identification system for grain inspectors to distinguish between wheat classes. Each class was required to have a unique appearance based on a wheat kernel's colour, size and shape. Essentially, it was a low-cost tool to divide wheat into classes based on end use.

The KVD system was removed by the Government of Canada because it was seen as a barrier to developing and registering new wheat varieties for feed, biofuels and other uses. Under KVD, it was difficult for wheat breeders to register new varieties because they often looked like an existing variety in another class. Now that KVD is gone, breeders can register new wheat varieties for different end uses without having to make them look different than milling wheat.

Another system is needed to provide quality assurance in this new environment. To address this issue, SRC's



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GenServe Laboratories" is validating DNA analysis technology to identify wheat classes that were developed by AAFC and the Canadian Wheat Board (CWB).

According to Dale Kelly, vice-president of SRC's Agriculture, Biotechnology and Food Division, validating this technology is key to ensuring it can be turned into a test that will serve the grain industry's needs.

"We've met with industry players about developing this technology," says Kelly. "While interest remains high in this potential test, grain companies and industry organizations have made it clear that they want a consistent test that is 100 per cent reliable and can be turned around in less than 24 hours."

Provided that the preliminary wheat DNA test science supplied by AAFC is confirmed, SRC GenServe Laboratories" plans to continue developing a commercial rapid wheat DNA test to identify wheat classes and may develop a commercial DNA test for wheat varieties in the future.

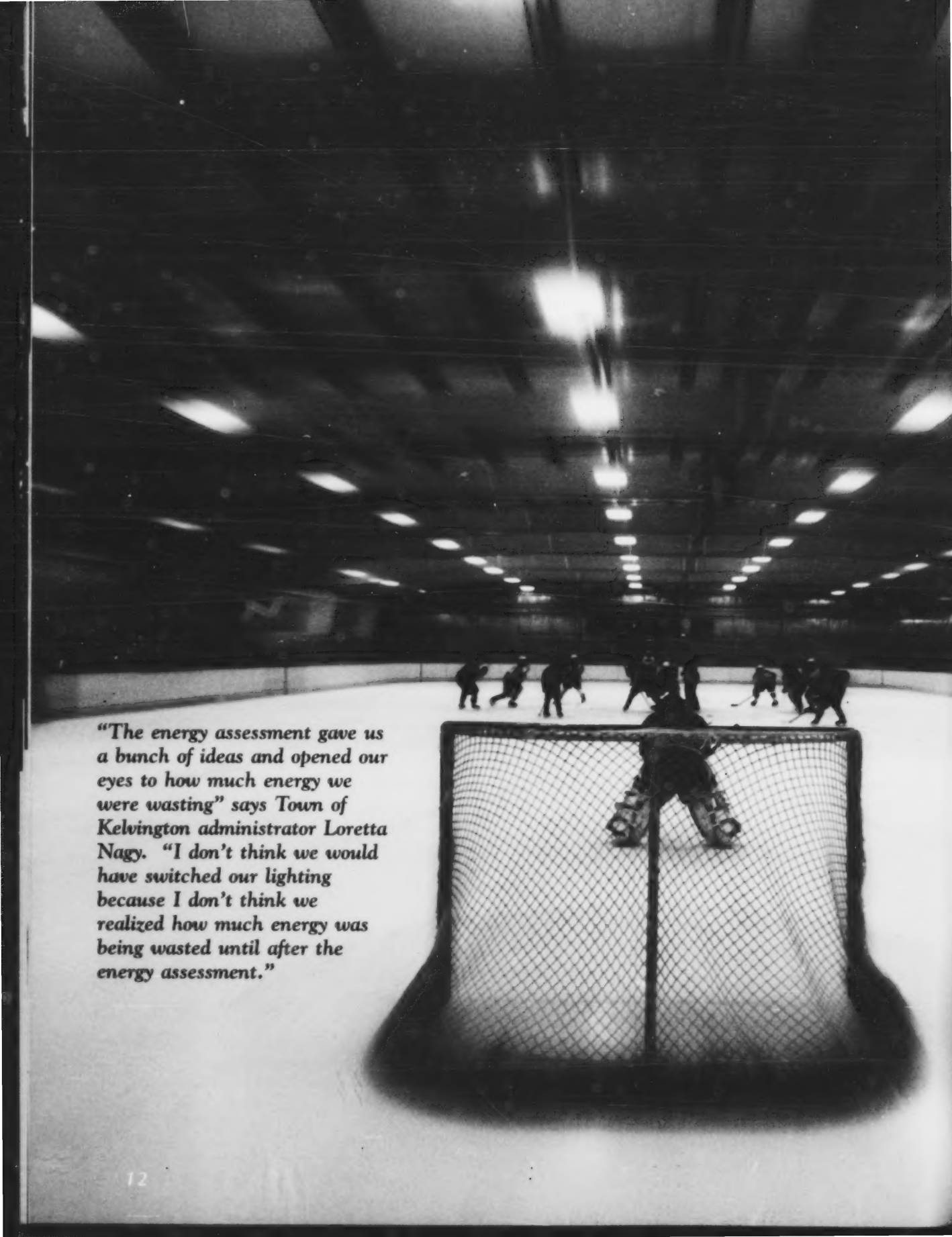
If SRC GenServe Laboratories" is confident that rapid wheat DNA testing can be carried out on a high volume commercial scale and meet industry expectations, they will provide more information on the process and procedures to interested parties.

"We realize that there is significant interest in developing an alternate wheat identification system," adds Kelly. "Because of this interest, we're committed to keeping Canada's grain industry informed on our efforts to advance a reliable rapid wheat DNA test."

"If the rapid wheat DNA test can be carried out for high volumes of wheat samples, it could go a long way toward helping the grain industry," says Earl Geddes, the CWB's vice-president of farmer service.

"Ultimately what we're trying to do is reduce the liability across the system of inadvertently putting an unregistered or a deregistered variety into the grain handling system that costs farmers or grain companies money in the management of that grain."





"The energy assessment gave us a bunch of ideas and opened our eyes to how much energy we were wasting" says Town of Kelvington administrator Loretta Nagy. "I don't think we would have switched our lighting because I don't think we realized how much energy was being wasted until after the energy assessment."

Alternative Energy ² and Manufacturing

GO GREEN GOING STRONG

Making the leap from energy user to conscious energy consumer is less daunting thanks to pieces of the Go Green program. SRC is delivering on behalf of the Government of Saskatchewan.

SRC recently received \$1-million in Go Green funding from the provincial government to continue providing the Net Metering, Solar Heating Initiative for Today (SHIFT) and Municipal Energy Efficiency programs.

These programs offer a number of different options to Saskatchewan residents, businesses and communities who want to save energy and become more environmentally friendly.

ENERGY SAVINGS FOR MUNICIPALITIES

When Town of Kelvington administrator, Loretta Nagy, received an email from SRC offering to conduct an energy assessment, she saw an opportunity for the community and convinced its council to order the assessment and find out how it could reduce its rising energy bills.

After an SRC energy conservation advisor evaluated how much energy the town's buildings were using, the town received an energy report giving it practical recommendations on upgrades it could make to cut energy costs. The report was enlightening, says Nagy.

"The energy assessment gave us a bunch of ideas and opened our eyes to how much energy we were wasting."

In Kelvington's case, the town replaced its dated outdoor swimming pool lights because of suggestions made in the energy evaluation report.

"I don't think we would have switched our lighting because I don't think we realized how much energy was being wasted until after the energy assessment," says Nagy.

The evaluation also led the town to install a solar heating system at the swimming pool with support from the SHIFT program. Evaluating energy use has inspired the town to install new high efficiency furnaces and lights in its curling and hockey rinks.

According to Nagy, other Saskatchewan municipalities should seriously consider the opportunity to obtain a free energy evaluation and potentially receive help to lower their energy bills.

"If every town did this, it would be dramatic how much energy would be saved."

A SHIFT IN THINKING

SHIFT provides large energy consumers, such as hospitals, schools and businesses, with incentives to harness solar energy to heat water and indoor air in their facilities. Through the program, SRC provides funding to match the federal ecoENERGY for Renewable Heat Initiative incentives.

Confederation Inn Saskatoon recently used nearly \$60,000 in SHIFT and ecoENERGY funding to install the largest commercial solar hot water system in Saskatchewan and one of the largest systems in Canada.

Brian Sawatzky, who owns Confederation Inn Saskatoon, says more businesses should consider undertaking similar solar heating upgrades.

"I encourage every business in Saskatchewan to look at the program. Sometimes it's not going to fit, but places that use a lot of hot water should consider it. Car washes, laundromats and apartment buildings are all great places for people to get involved in this."

The \$130,000 Confederation Inn Saskatoon project involved installing 40 solar hot water collectors on the hotel's roof to provide hot water to its guest rooms, restaurant, beverage room and indoor pool. Sawatzky estimates that the system is saving his

business \$4,000 per year already, but he hopes that making some adjustments to the system will save even more.

SHIFT is meant to help communities as well as businesses. After applying to the program in winter 2008, the Town of Hudson Bay installed a solar water heating system for its outdoor pool in July 2008. The new system allows the town to rely less on an older boiler that was responsible for higher energy bills.

"With recreational facilities, utility costs are a huge part of the operating budget," says Richard Dolezsar, the town's administrator. "Using solar to heat the water in the swimming pool just made sense."

Dolezsar adds that he's looking forward to seeing the solar heating system in use for a full season to see its impact on energy bills.

More than 17 organizations have already used the program to cut energy costs and go green. As positive as this early success is, there are still many opportunities for organizations and communities to capitalize on the program and its incentives for turning green.

"The straightforward application process will allow even more clients to easily participate in the SHIFT program," says Craig Nomeland, an energy conservation advisor with SRC.

NET GAINS THROUGH NET METERING

Net Metering is designed for people who want to generate their own electricity using wind, solar, flare gas, heat recovery systems and other environmentally friendly power sources.

"One of the benefits of this program is that the customer is able to achieve the full retail rate that they pay for their energy by both offsetting their existing load and when using any banked energy to offset future consumption," says Ken Smith, SaskPower's business policy supervisor.

As appealing as renewable power can be to the green at heart, the initial setup costs can appear daunting. To ensure those interested in net metering don't shy away because of high prices, SRC provides eligible recipients with up to 35 per cent of the cost to setup alternative power generating equipment and install bidirectional net meters.

To qualify for the program, customers must install a production meter on their renewable energy system. In return for funds, SRC requests readings from the production meter and access to participants' utility records for 18 months prior to and 10 years after generating equipment has been installed.

"Participants' energy consumption records are a critical input that enables SRC to measure the actual impact of renewable energy production from the equipment," says Grant McVicar, SRC's energy conservation director. "This information allows SRC to assess the economic and environmental benefits to the clients. It also helps in making refinements to the program to increase these benefits in the future."

Helping customers make the switch from power users to power producers is working. Since its launch in 2007, the Net Metering program has helped more than 25 participants.

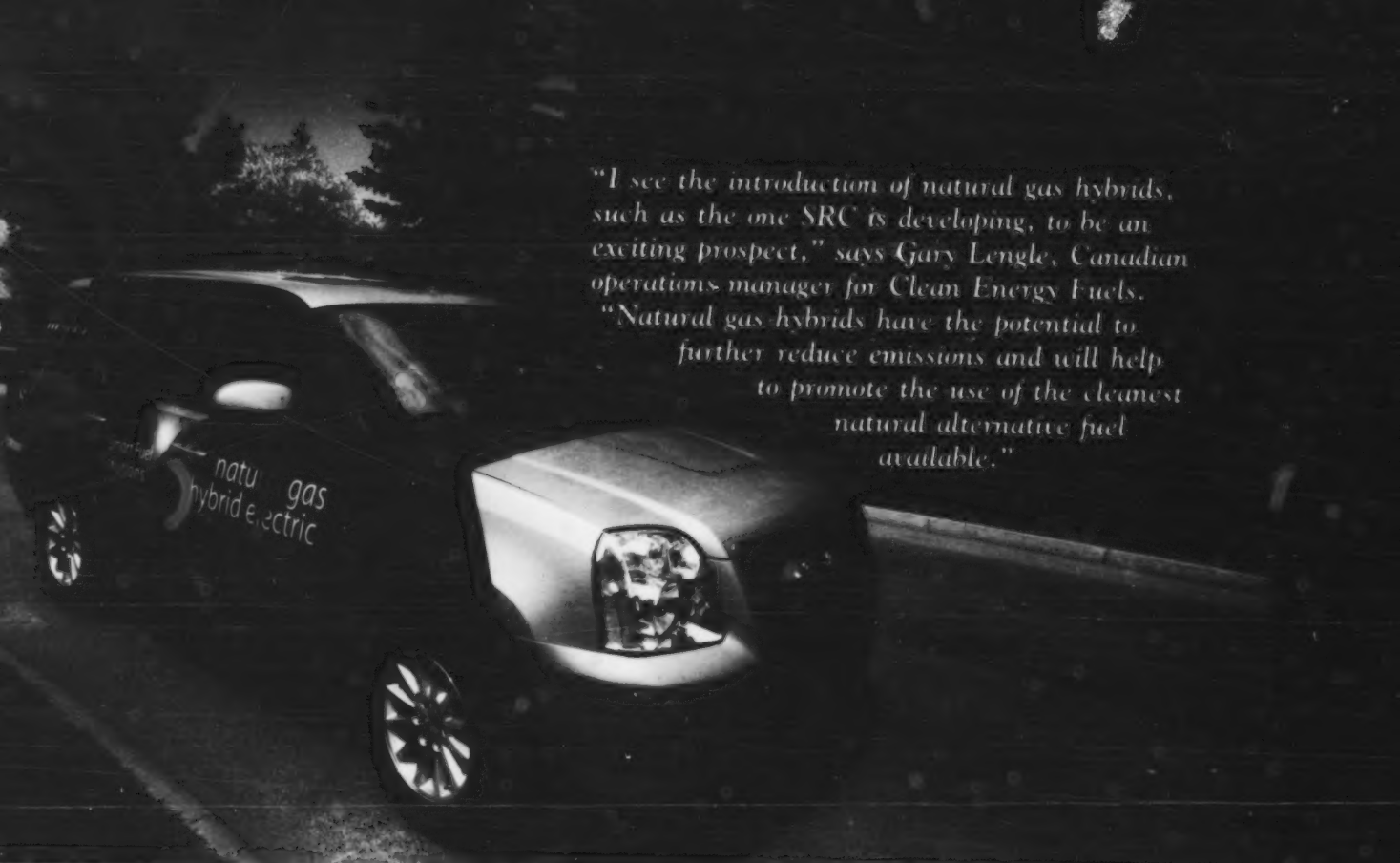
According to a local distributor for renewable power products, Net Metering is driving the market by making clean power more appealing.

"The response has been excellent," says David Anderson, an alternative energy engineer for Solar Outpost Inc. "People are very happy to produce clean renewable energy onsite."

NATURAL GAS HYBRID SUV PRODUCES GREEN POWER

A 2,600 kg, four-by-four sport utility vehicle (SUV) that's also fuel efficient and environmentally friendly may sound far-fetched, but engineers in SRC's Alternative Energy and Manufacturing Division are helping make it a practical reality.





"I see the introduction of natural gas hybrids, such as the one SRC is developing, to be an exciting prospect," says Gary Lengle, Canadian operations manager for Clean Energy Fuels.

"Natural gas hybrids have the potential to further reduce emissions and will help to promote the use of the cleanest natural alternative fuel available."

SRC engineers are converting a 2008 GMC Yukon Hybrid, which runs on a combination of gasoline and electric power, into a bi-fuel hybrid that uses a combination of gasoline, natural gas and electric power.

"This is our first project that involves electric drives, so it will be a learning experience," says Mike Sulatisky, SRC's principal research engineer in Alternative Energy Development. "Hybrid vehicles and electric drives for on-road and off-road vehicles appear to be the wave of the future. This is an opportunity for us to participate in their technical development."

This new hybrid version is unique because it contains a proprietary, SRC-designed Electronic Control Unit (ECU) that allows the engine to generate power using gasoline and natural gas separately or at the same time. By using the ECU's microchip to adjust a combination of fuel sources, the hybrid does not have to sacrifice power or fuel efficiency.

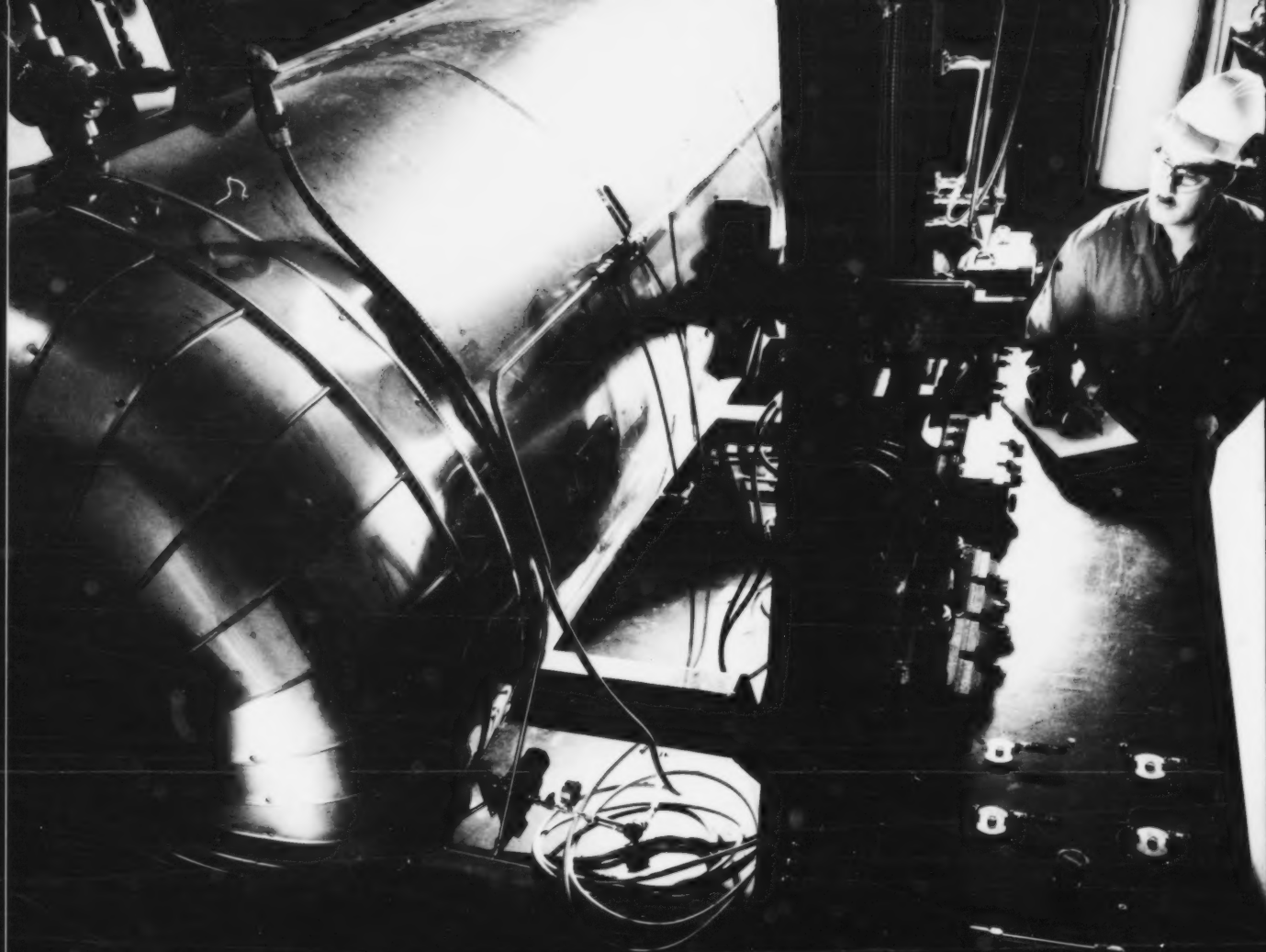
"The possibilities for this and future natural gas hybrids appear promising," says Gary Lengle, Canadian operations manager for Clean Energy Fuels, North America's largest provider of natural gas for transportation.

"I see the introduction of natural gas hybrids, such as the one SRC is developing, to be an exciting prospect," shares Lengle. "Natural gas hybrids have the potential to further reduce emissions and will help to promote the use of the cleanest natural alternative fuel available."

The hybrid will eventually be targeted at gas utility companies that have ready access to natural gas, but it may eventually be marketed to a wider market because there is already a large volume of natural gas vehicles that can refuel at stations in cities across North America.

This new sport utility vehicle project is able to drive forward because of knowledge gained through previous SRC conversion projects. This latest addition to SRC's alternative fuelled vehicle fleet adds to vehicle options for reducing emissions.





"Our confidence in SRC prompted us to invest in their program. We are certain that this partnership is fundamental to the establishment of the oil sands industry in Saskatchewan," says Christopher Hopkins, CEO of Oilsands Quest Inc.

MAKING THE MOST OF SASKATCHEWAN'S OIL SANDS RESOURCES

Finding and extracting oil may appear simple on the surface, but the reality is far more complex.

Energy companies are continuously searching for ways to navigate a volatile economy while remaining committed to keeping current with technology changes that will help improve recovery methods and reduce environmental effects associated with recovering and refining oil. This complexity is especially evident in the oil sands industry.

SRC created the Saskatchewan Oil Sands Industry Support (SOSIS) Team in April 2008 to rapidly respond to the oil sands industry's specific needs in this taxing environment.

"Our confidence in SRC prompted us to invest in their program. We are certain that this partnership is fundamental to the establishment of the oil sands industry in Saskatchewan," says Christopher Hopkins, CEO of Oilsands Quest Inc.

This new approach to research and support is particularly needed in Saskatchewan where the oil sands' geology presents a unique challenge. Unlike many of the vast deposits in Alberta's Athabasca region, the oil sands deposits in northwest Saskatchewan do not have an effective way to contain pressure. The lack of pressure does not allow for conventional steam-assisted gravity drainage (SAGD) recovery methods.

To provide the low environmental impact technologies needed to meet this challenge, SOSIS is adding to its expertise base, building new laboratory space and constructing a leading-edge research tool customized for Saskatchewan's oil sands.

SOSIS is embarking on a recruitment campaign as well as drawing on expertise in SRC's other divisions. The team is already consulting Dr. Bryan Schreiner, Mining and Minerals' chief geoscientist, to provide technical leadership and expert guidance.

Schreiner rejoins SRC after serving as the Assistant to the Vice-President Research and Director of Research Services at the University of Saskatchewan since 2003. Before that, he excelled in geosciences while holding many positions in his 30 years at SRC. He also established a strong national reputation in geosciences by collaborating with the Association of Professional Engineers and Geoscientists of Saskatchewan, the Canadian Council of Professional Engineers, the Canadian Geoscience Council and currently with the Canadian Mining Innovation Council.

In addition, SOSIS has recruited several engineers, technologists and other skilled professionals to begin research at two new SRC laboratories in Regina.

One of these new labs was launched with a \$1-million contribution from Oilsands Quest Inc. for the design and construction of a 3D scaled physical model for oil sands research. Filled with actual reservoir sand and fluids to simulate Saskatchewan's oil sands, this unique-in-Canada model will assist scientists and engineers with developing customized recovery methods for Saskatchewan's oil sands.

The 3D model will provide researchers with a better representation of how new recovery methods may actually work.

"Rather than looking at the oil sands in a highly idealized setting, you're getting an idea of what you can actually expect in the field," says Brian Kristoff, SRC's manager of enhanced oil recovery (EOR) field development. "You're taking the oil sands reservoir and bringing it into your laboratory."



The new laboratory will focus on developing hybrid methods—such as thermal solvent extraction (TSX)—that add heat to the Solvent Vapour Extraction (SVX) process being applied in heavy oilfield pilot projects.

These new recovery methods hold advantages over the conventional SAGD techniques being used in some Alberta oil sands deposits by reducing the amount of natural gas required to generate steam that thins the bitumen for extraction, providing petroleum companies a more sustainable pathway.

“Even if oil is selling for \$150 a barrel, you still want to reduce your energy input requirements to recover bitumen from the oil sands,” says Kristoff. “If you improve recovery efficiency, you’re cutting down on costs and greenhouse gas emissions.”

The new team, laboratories and 3D scaled physical model are only the latest examples of how SRC has been contributing *Smart Science Solutions™* to the Canadian oil sands industry. Since the 1970s, SRC has been developing oil sands recovery methods to help the industry maximize its investments and minimize its environmental footprint.

CARBON RECYCLING SYSTEM TURNS CO₂ INTO A COMMODITY

A new artificial pond system that uses algae to soak up carbon dioxide (CO₂) emissions from industrial plants is turning what was once considered an odorous aquatic plant into a valuable tool for addressing climate change and making renewable fuels.

SRC scientists and three research partners from Innoventures Canada (I-CAN) are developing the Carbon Algae Recycling System (CARS), which feeds waste heat and flue gas containing CO₂ from industrial exhaust stacks to micro-algae growing in artificial ponds. The system is designed to use up to 233,000 tonnes of CO₂ a year, equal to removing 50,000 cars from the road.

“The goal is to provide industrial companies with a practical way to reduce their greenhouse gas emissions that is both environmentally and economically sustainable,” says Cindy Jackson, SRC senior research scientist in energy production and processing.

With support from 12 industrial partners, Jackson and the other I-CAN scientists have started the ambitious five-year project by determining how to adapt conventional algal ponds and closed cultivation systems used elsewhere in the world. They are aiming to make the technology succeed in demanding Canadian climate conditions and optimize its potential to mitigate CO₂.

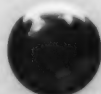
Their initial research has already proven that certain wild Canadian algae can naturally produce relatively high oil levels required to make biodiesel, one of harvested algae’s main byproducts.

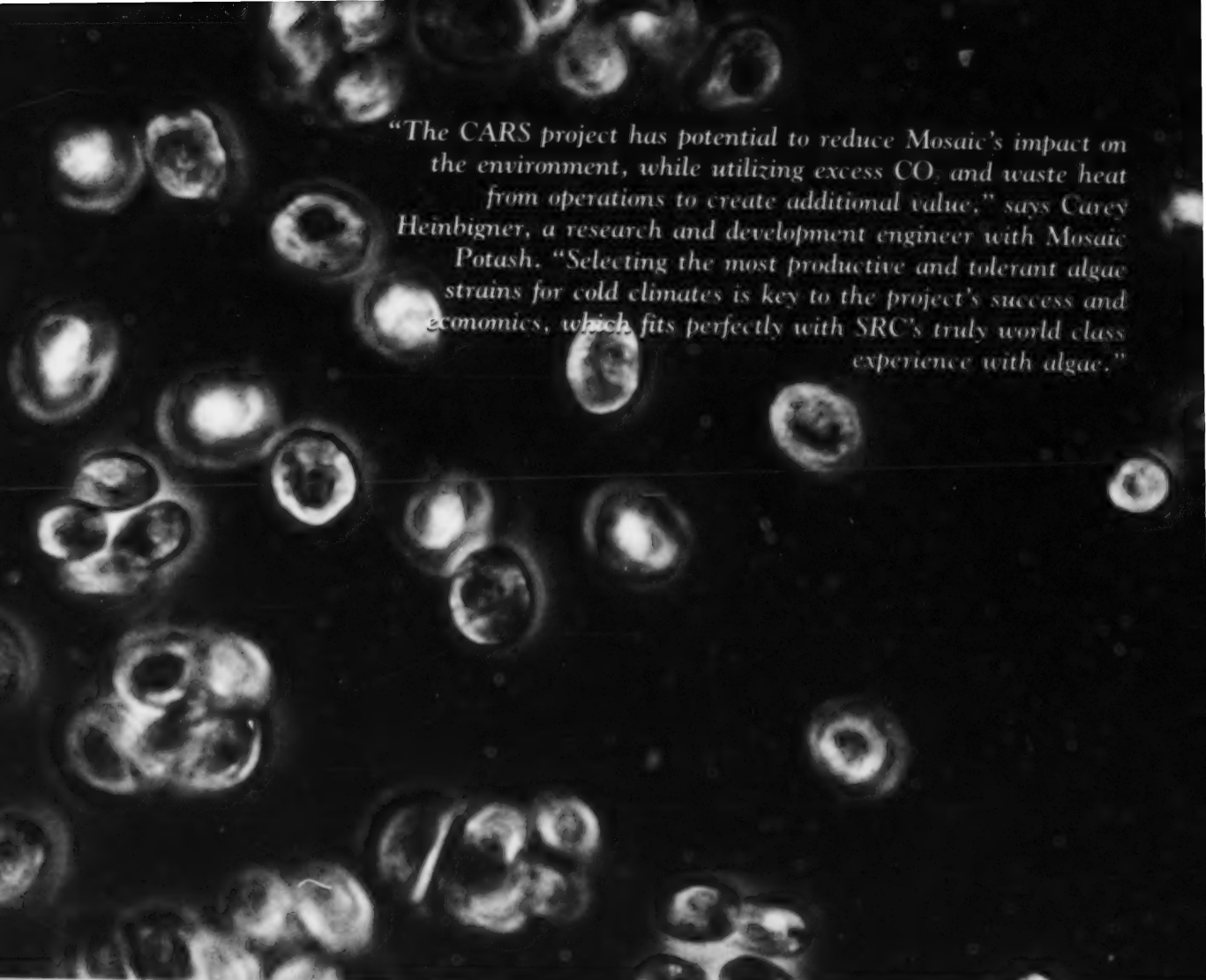
The researchers are now planning to create a deep hybrid pond that combines features of both a small closed cultivation system and an open pond. The designed pond incorporates an innovative lighting system that makes the short hours of daylight in the Canadian winter a non-issue. It will, however, need to maintain a steady temperature year round to grow a resilient algae strain that flourishes on flue gases’ unique chemical makeup.

Algae are not the project’s only benefits. “CARS offers the opportunity for profit and avoids CO₂ disposal costs,” says Jackson.

These opportunities are made possible by algae’s ability to grow faster than any other plant-like organism. In addition to quickly producing massive amounts of organic material, algae are pliable enough to be processed into value-added goods.

Like plants, algae consist of protein, carbohydrates and oils that all have value. The oils can be extracted to make biodiesel while the carbohydrates can be processed into ethanol and the proteins turned into animal feed or fertilizer.



A black and white microscopic image showing numerous spherical and oval-shaped cells, likely algae, with bright, glowing centers. The cells are densely packed and vary in size and internal structure.

"The CARS project has potential to reduce Mosaic's impact on the environment, while utilizing excess CO₂ and waste heat from operations to create additional value," says Carey Heinbigner, a research and development engineer with Mosaic Potash. "Selecting the most productive and tolerant algae strains for cold climates is key to the project's success and economics, which fits perfectly with SRC's truly world class experience with algae."

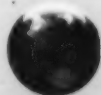
According to an economic model developed for the project, selling the biodiesel made from harvested algae could nearly cover the system's costs. As an added benefit, converting algal biomass leaves less of an environmental footprint than other biofuel sources.

In addition to selling these and other algae byproducts for profit, participating companies may be able to qualify for greenhouse gas offset credits and other emission reduction credits.

All these potential benefits make CARS an intriguing prospect to large industrial companies such as Mosaic, a major potash producer and one of the project's corporate partners.

"The CARS project has potential to reduce Mosaic's impact on the environment, while utilizing excess CO₂ and waste heat from operations to create additional value," says Carey Heinbigner, a research and development engineer with Mosaic Potash. "Selecting the most productive and tolerant algae strains for cold climates is key to the project's success and economics, which fits perfectly with SRC's truly world class experience with algae."

To realize the project's ambitious goals, CARS is going into its second stage, which will involve constructing a lab-scale demonstration facility to continue proving the concept and the system's initial design. Following this, CARS partners are aiming to construct a field pilot demonstration facility at an industrial site.





These students have valuable experience that few of their undergraduate counterparts across Canada can boast, says Dr. Chary Rangacharyulu, head of physics and engineering physics at the UofS. "For the students and myself, it's a very useful research tool to have right here in our own backyard."

Environment and Forestry

SASKATCHEWAN'S SLOWPOKE-2

Saskatchewan has been home to a nuclear reactor for more than a quarter century. This little known fact may surprise some, but the SLOWPOKE-2 reactor has been operating at SRC's Environmental Analytical Laboratories in Saskatoon since 1981.

The powerful research tool is used as a source of neutrons for an analytical technique known as Neutron Activation Analysis (NAA). This technique assists in determining uranium concentrations for different industries. For example, mining companies can use it to analyze samples for uranium concentrations when they are exploring for potential mine sites.

The reactor also assists environmental remediation work. For instance, the reactor tests oils, sludge and water samples for organic halides. These potentially harmful pollutants include chemicals, such as polychlorinated biphenyls (PCBs). It is critical to know if waste materials contain these contaminants to establish a safe, effective disposal method and prevent them from leaching into the environment.

With its ability to analyze samples quickly and accurately for an array of different clients, it is no wonder that the SLOWPOKE-2 reactor has earned an international reputation for being an effective research tool.

"Clients from across Canada and around the globe are submitting samples to the laboratory," says Brenda Stanek, manager of SRC's Environmental Analytical Laboratories. "As an analytical tool, the SLOWPOKE-2 reactor is a very useful complement to the wide array of more traditional chemical and instrumental techniques available for environmental testing."

As its name—Safe LOW POver Kritical Experiment (The point at which a nuclear fission reaction can be sustained is called "going critical")—suggests, the SLOWPOKE-2 is also known for being steady and reliable.

The "safe" in SLOWPOKE-2 comes from its fail-safe design, which does not require an active mechanical

safety system. Essentially, the heat produced by the reactor limits its reactivity, preventing the reactor from producing an uncontrolled power surge. As a result, the reactor has operated trouble-free since the Canadian Nuclear Safety Commission granted SRC a licence to operate it 28 years ago.

Because of SLOWPOKE's ability to conduct applied research in a safe environment, UofS undergraduate physics students have recently used the reactor for their research projects.

These students have valuable experience that few of their undergraduate counterparts across Canada can boast, says Dr. Chary Rangacharyulu, head of physics and engineering physics at the UofS.

"For the students and myself, it's a very useful research tool to have right here in our own backyard," he says.

"Now if an employer asks these students if they have experience working in nuclear science, they can say they have worked with a nuclear reactor. They're not experts, but they have an understanding of nuclear reactions and could potentially work on medical imaging or in nuclear power."

SRC BEGINS ON-SITE NORTHERN MINE CLEANUP

SRC is helping start a new chapter in Saskatchewan's mining history by leading Project CLEANS (Cleanup of Abandoned Northern Sites), a multi-year initiative with \$47.9 million in funding from the governments of Canada and Saskatchewan to assess and cleanup Gunnar, Lorado and 36 abandoned satellite mine sites in northern Saskatchewan.

"Both governments had a shared concern for protection of the environment and public health and safety issues arising out of what have been termed 'legacy' mines," says Bob Ellis, spokesperson for the Ministry of Energy and Resources, the provincial department that has contracted SRC to lead the cleanup. "Our ministry is very pleased that the project is moving ahead and we look forward to its successful completion."



"CLEANS made progress by removing waste and closing mine openings at three satellite mining sites last summer," says Aaron MacDonell, project manager in SRC's Environmental Remediation business unit. "This set the stage for us to tackle even more work by starting cleanup at several additional satellite sites in summer 2009."

The former Gunnar mine site rehabilitation moved forward when the Canadian Environmental Assessment Agency announced in February 2009 that it will proceed with a comprehensive study as part of the environmental assessment process.

SRC also established a Project Review Committee (PRC) for Project CLEANS comprised of representatives from communities in the Athabasca area to ensure local communities are fully involved.

Area residents, contractors and Saskatchewan citizens can all stay engaged as the project progresses by contacting SRC and visiting the CLEANS website at www.saskcleans.ca.

CLEANER POWER PLANT EMISSIONS A BREATH OF FRESH AIR

Mercury is commonly recognized as a toxin in our food system, but it can be overlooked as a contaminant in our air. SRC's Air Quality group was part of a team that went out of its way to ensure airborne mercury particles are not only identified, but reduced in concentration.

The group was part of a SaskPower demonstration project submitted to the Sustainable Development Technology Canada initiative. This project aimed to remove mercury from the flue gas that streams from coal burning power plants. The team was called in to evaluate the project as it was being developed at the SaskPower Emissions Control Research Facility (ECRF), a test facility that analyzes different emissions technologies to evaluate how they may work when installed at power stations.

SaskPower's ECRF team received the Canadian Electricity Association's (CEA) 2008 national environment stewardship award for developing cost-

effective technology to remove mercury from coal-fired power plant emissions.

"The Emissions Control Research Facility demonstrates SaskPower's continuing commitment to innovation and excellence," said Pierre Guimond, president and CEO of the Canadian Electricity Association. He noted that this facility will have wide-ranging benefits to the electricity industry, particularly in raising the understanding of mercury measurement and control technologies through actual demonstration.

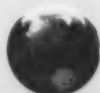
The award recently earned the team some press, but the path towards cleaner power plant emissions began back in 2003 when SaskPower called on researchers from SRC, the University of North Dakota's Energy and Environmental Research Centre, the University of Regina, the University of Saskatchewan, utilities and private companies to search for ways to take mercury out of the flue gas that is released by burning coal.

The team initially focused on controlling mercury emissions by fine-tuning an existing system that injects activated carbon into a fabric filter to absorb vaporized mercury in flue gas.

Testing this type of emissions technology at a power plant site is what makes the research facility unique. ECRF is the only facility in Canada where flue gas samples can be extracted and tested at an active power station.

SRC contributed to the team's efforts by sending air quality manager Keith Wallace, technologist Ray Begrand and air quality engineer Jason Wilkinson to take manual mercury measurements at the SaskPower Poplar River Power Station where the ECRF is based. The SRC group determined exactly how much mercury had been removed from the plant's flue gas emission stream.

Though SRC played one part in the team's innovative project, it has helped SaskPower meet new federal standards for mercury emissions that come into effect in 2010. More importantly, the project has helped make Saskatchewan's air that much cleaner.



"Both governments had a shared concern for protection of the environment and public health and safety issues arising out of what have been termed 'legacy' mines," says Bob Ellis, spokesperson for the Ministry of Energy and Resources, the provincial department that has contracted SRC to lead the cleanup. "Our ministry is very pleased that the project is moving ahead and we look forward to its successful completion."



LIFECYCLE ANALYSIS: TRACING AN ENVIRONMENTAL FOOTPRINT

Marketing products as environmentally friendly is now commonplace. SRC's Environment and Forestry Division is helping companies distinguish their products from the pack by using Life Cycle Assessment (LCA) to verify their green claims.

"LCA is a comprehensive and unbiased approach to estimating the environmental effects of a product or process in comparison to the business-as-usual scenario," explains Monique Wismer, a research scientist at SRC.

"We use LCA to identify areas where efficiency improvements can be made and to verify a company's claim that their product is greener or more environmentally sustainable than another."

Using internationally recognized International Organization for Standardization (ISO) standards, SRC begins conducting an LCA review by defining a study's goal and scope. This ensures that the study is comprehensive and answers its original question.

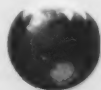
Next, an SRC research scientist collects data on environmental effects and inputs the data into a computer model. After that, the scientist quantifies

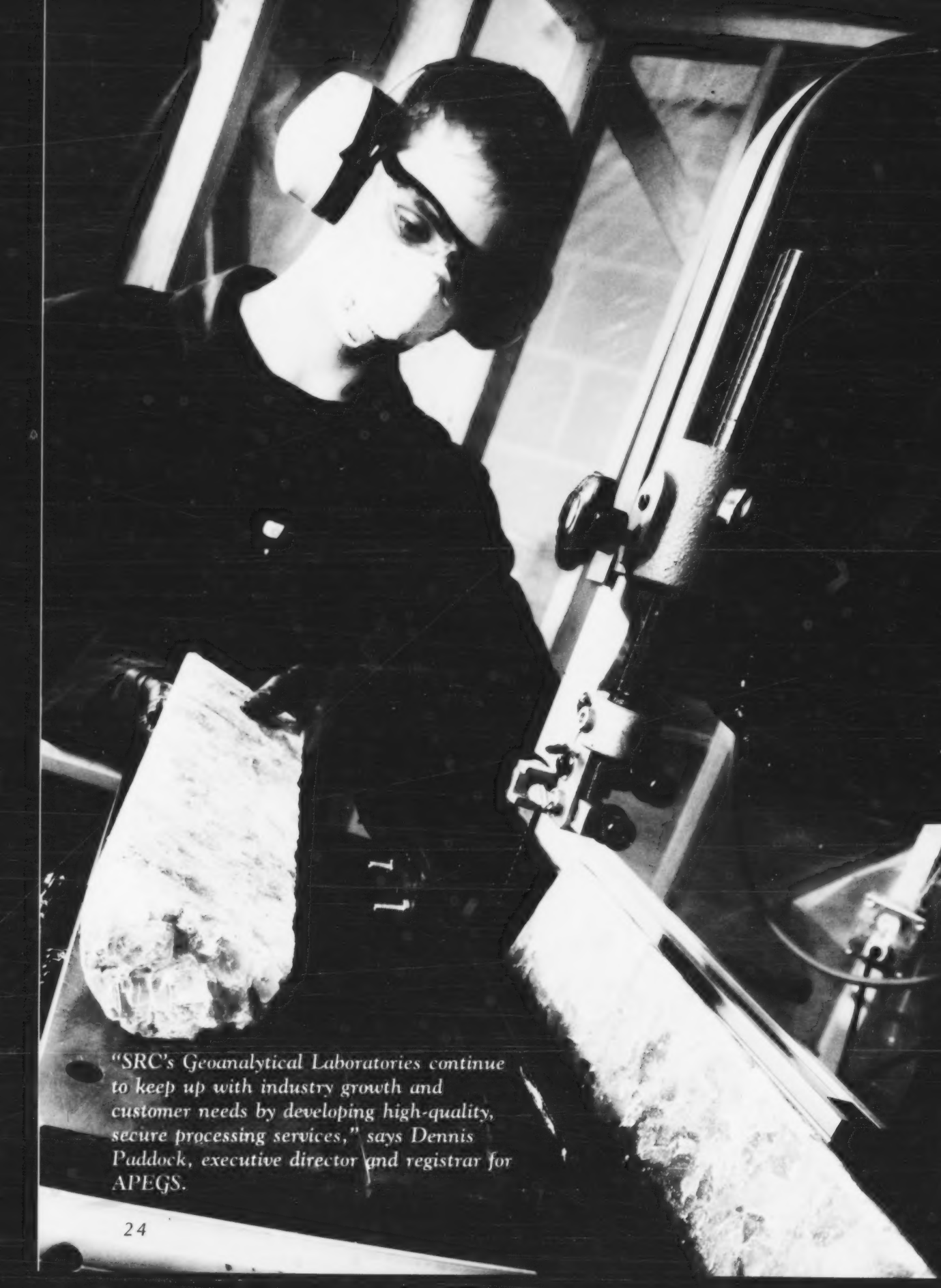
and categorizes emissions information to provide an impact assessment. Results are then used to compare environmental effects, such as greenhouse gas emissions, energy use and water toxicity.

To illustrate, SRC recently began working with Saskatchewan Pulse Growers (SPG) to contrast the environmental effects of producing and using pulse crops, such as bean and lentil, with other crops. Funded by SPG as well as Agriculture and Agri-Food Canada's Agricultural Bioproducts Innovation Program, the study will examine the environmental effect of using pulses to feed animals and humans, including pulse crops in rotation and making ethanol from pea starch.

"We anticipate the study results will show that pulse crop production and utilization are beneficial to the environment, which can be used to market pulse crops as environmentally friendly ingredients for feed, food and bioproducts," says Dr. Kofi Agbolor, SPG's research director.

"Demand for LCA studies is really increasing," says Wismer. "In many industries it is now seen as a competitive advantage to undertake this type of unbiased, scientific evaluation to back up green statements. We're here to provide that informed, independent appraisal."





"SRC's Geoanalytical Laboratories continue to keep up with industry growth and customer needs by developing high-quality, secure processing services," says Dennis Paddock, executive director and registrar for APEGS.

Mining and Minerals

POTASH TESTING POWERHOUSE

It is somewhat ironic that SRC's venture into one of Saskatchewan's hottest mining areas started by looking at a decades-old mining exploration report, yet that's exactly how it happened.

It all began in 2006 when a client asked SRC's Geoanalytical Laboratories to review a 1969 potash report. The review focused on determining if potash-testing methods used in 1969 could be repeated using more modern methods.

"With help from industry supplied standards, we got to work reviewing all the methods to come up with a new modernized method," says Bernard Gartner, manager of SRC's Geoanalytical Laboratories.

That initial work led to analyzing more potash samples as clients started hearing about the tests SRC could provide. Requests for tests began to come in so quickly that in 2008, SRC set up a standalone facility to conduct potash testing.

Keeping pace with industry demand has led SRC to a leadership position in potash testing.

"We are involved in the majority of the potash exploration programs here in Saskatchewan, Canada and some projects around the world," says Gartner.

SRC is now focusing on finding new ways to meet the potash industry's need for testing. In some cases, SRC actually has employees working with clients in their facilities to prepare potash samples for testing. This service allows the client to focus on the overall project while SRC employees control the sample preparation process.

DIAMOND LAB SHINES WITH AWARD

SRC has been developing homegrown expertise to support every stage of diamond exploration since kimberlite, the volcanic rock that may contain diamonds, was first discovered in Saskatchewan in 1988.

This ongoing work was recognized when SRC Geoanalytical Laboratories Diamond Services received the Exceptional Engineering/Geoscience Project Award for 2008 from the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS).

The award honours accomplishments in engineering or geosciences by a team of Saskatchewan engineers or geoscientists. SRC stood out because of the consistent and comprehensive services it provides to diamond industry clients.

"SRC's Geoanalytical Laboratories continue to keep up with industry growth and customer needs by developing high-quality, secure processing services," says Dennis Paddock, executive director and registrar for APEGS.

As an internationally accredited, standalone, high security facility, Geoanalytical Laboratories Diamond Services helps mining companies through each step in early diamond exploration.

This level of service has helped SRC's Geoanalytical Laboratories diamond facility become the largest commercial facility in the world. Although established to assist Saskatchewan clients, the facility has also developed a worldwide client base. De Beers has identified the internationally recognized facility as its external lab of choice.



MINING NEW OPPORTUNITIES

Market slowdowns have not stopped SRC's Mining and Minerals division from exploring new business opportunities.

Over the last year, Mining and Minerals has made a concerted effort to reach out to current and potential clients at tradeshow and through other marketing efforts.

Even in this economic climate, there are dividends for being proactive.

"We always go to tradeshow and come back with more business than when we left," says Bernard Gartner, manager of SRC's Geoanalytical Laboratories.

In December, SRC reached out to over 800 geology and mining professionals from Brazil, China, Korea, Japan, the United States and across Canada at the 39th Annual Saskatchewan Geological Survey Open House in Saskatoon.

To kick off the new year, SRC representatives attended the Association for Mineral Exploration British Columbia Mineral Exploration Roundup in Vancouver.

And last March, SRC representatives visited the Prospectors and Developers Association of Canada's convention in Toronto, the largest mining and exploration tradeshow in the world.

The division is also doing its best to personally connect with industry contacts to let them know that SRC continues to provide a wide range of services, including everything from exploration through to decommissioning planning.

"We have made even more of an effort to make direct contact," says Gartner. "I've done a lot more calling this year than I've done in my entire life."

Mining and Minerals is also reaching out by creating new partnerships. For example, SRC has begun working cooperatively on a project with North Rim Enterprises Ltd., a Saskatoon-based geosciences and engineering consulting firm.

Together, SRC and North Rim are assisting the Saskatoon-based NuCoal Energy Corporation in assessing and developing Saskatchewan's coal resources. They are contributing expertise on how to interpret information from a coal inventory project carried out in the 1970s using current standards, says Bryan Schreiner, SRC's chief geoscientist.

This expertise has made all the difference to NuCoal. "When we first met a number of the professionals from SRC, we were truly encouraged by their depth of knowledge and experience," says Alan Cruickshank, NuCoal Energy's president and CEO. "Their wide range of capabilities and background on a number of mineral fronts has been instrumental in helping us advance our project."

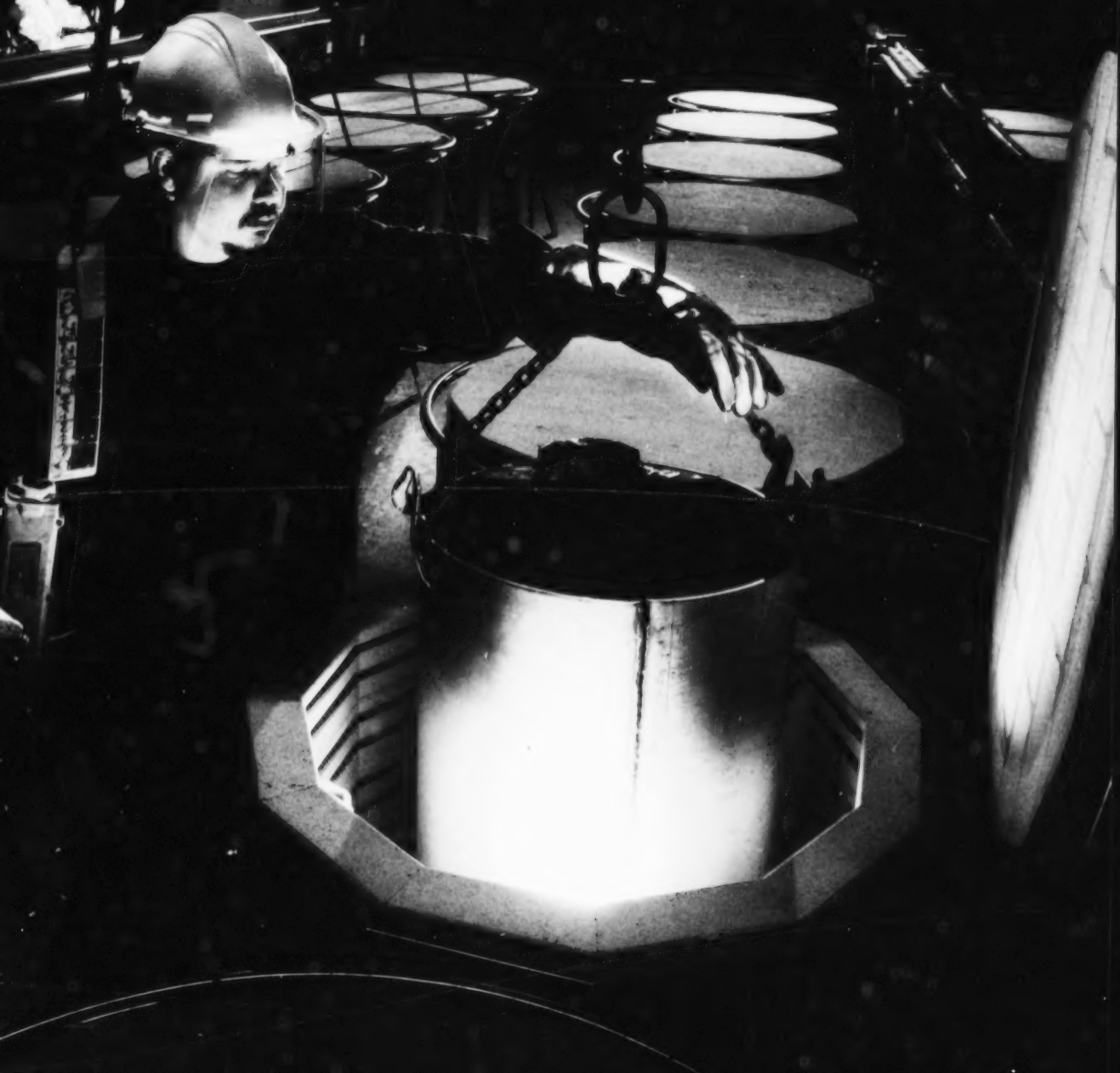
SRC is also investigating technology and processes to aid NuCoal Energy in achieving its ultimate goal of converting coal to gasoline.

As chief geoscientist, Schreiner is also linking SRC with mining leaders by contributing on the Canadian Mining Innovation Council's board and its Environment in Mining Targeted Research Working Group. This focused research group recently created a proposal on how Canada's Mineral sector can advance green mining.

Using a mix of tradeshow touring, personal marketing and industry partnerships, SRC is letting potential mineral exploration and mining clients know that it continues to support their industry.



"When we first met a number of the professionals from SRC, we were truly encouraged by their depth of knowledge and experience," says Alan Cruickshank, NuCoal Energy's president and CEO. "Their wide range of capabilities and background on a number of mineral fronts has been instrumental in helping us advance our project."



**KEY PERFORMANCE INDICATOR
HIGHLIGHT: TECHNICAL EXCELLENCE**

**SRC SCIENTIST SHARES
NOBEL PEACE PRIZE**

As an innovation organization, SRC strives to attract and retain elite scientists, engineers and technologists that aid us in becoming an internationally recognized leader in developing and implementing relevant science and technology.

Every day these leading professionals use their expertise to enable customers to thrive in the world economy. SRC also encourages them to share their leading-edge knowledge with industry and academic colleagues as well as the interested members of the public. Over the last five years alone, SRC experts have written or delivered 375 publications and presentations.

SRC climatologist Elaine Wheaton exemplifies how this commitment to technical excellence can make a difference.

This distinguished research scientist was recognized by the International Panel on Climate Change (IPCC) for her contributions to an international research effort that ultimately received the 2007 Nobel Peace Prize.

Wheaton, who is also an adjunct professor at the University of Saskatchewan, worked as a reviewer, collaborating author and review editor on the panel.

The award was reserved for members who "contributed substantially" to the IPCC's work. The IPCC and Al Gore received the Nobel Prize for building and disseminating knowledge about climate change.



Corporate Performance

KEY PERFORMANCE INDICATOR HIGHLIGHT: INTERNAL PROCESS EXCELLENCE

LABORATORIES TEST NEW WAYS TO IMPROVE BUSINESS

How do you improve when you are already one of Canada's most comprehensive environmental analytical chemistry laboratories?

SRC's Environmental Analytical Laboratories, which provide water quality, environmental and agricultural product testing, responded to this tough question by finding new services and approaches to provide even better service to clients.

The laboratories started by improving on an existing test for radon gas. Prolonged exposure to the gas, which you cannot see, smell or taste, can increase lung cancer risk.

Decaying uranium in rocks and soil produces the radioactive gas. Depending on the land beneath a building, radon gas can seep in through cracks and rise to high levels indoors.

To better identify the invisible gas for clients, Environmental Analytical Laboratories used an investment from SRC's Innovation Fund to add an alpha track detector to its radon testing service. The detector tracks long-term radon exposure levels. It can be in place for several months to give a better long-term average concentration of radon levels in indoor air. The new detection system is in demand after Health Canada recently lowered the acceptable indoor level for radon.

Environmental Analytical Laboratories not only added this new service, it also transformed its

approach and business processes. Changes started when the shipping department was moved to make more space for the sample receiving department. Then a sample preparation department was created so samples are ready for technologists to analyze.

Brenda Stanek, the laboratories' manager, says these changes helped process more samples than ever this past year.

"The whole idea is to reduce turnaround times, because that's what clients want."

The manager also found inspiration for improvements while watching an evening newscast. The program featured a hospital laboratory that used a Japanese-based process to increase efficiency and process samples more quickly.

SRC Environmental Analytical Laboratories adopted the same "Five-S process"—Sort, Set in order, Shine, Standardize and Sustain—by forming teams and undertaking 11 projects throughout this past year to organize their workspaces and improve work flow.

"I was really impressed with how SRC took the ideas from the initial Five-S workshop and ran with them," says Dave Hunchak, a consultant who helped the laboratories kick-start the process with a short seminar.

"The 11 teams had a lot of fun and were obviously excited about how much they'd improved their work areas. The little, simple changes of Five-S can make big differences in how much you can get done in a day and how much you enjoy the work, and these initial successes clear away the clutter so you can start making even bigger improvements. They're on the right track."

"A recent issue of the SRC NewsClips publication included an announcement that a new water sampling video was available for viewing on the SRC website. I watched several of the videos and found them to be very informative in the proper procedures of water sampling," says Rick Hanson, public works special projects manager for the City of Prince Albert.



Environmental Analytical took this same efficient attitude beyond its own walls when an employee suggested shooting a video to assist clients in following proper procedures when collecting and submitting a sample for water quality testing.

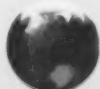
Guiding clients through the proper steps is important because carefully collecting and handling water samples is crucial to ensure they represent their original environment and provide clients with accurate results.

"A recent issue of the SRC NewsClips publication included an announcement that a new water

sampling video was available for viewing on the SRC website. I watched several of the videos and found them to be very informative in the proper procedures of water sampling," says Rick Hanson, public works special projects manager for the City of Prince Albert.

The 15-minute video features SRC employees demonstrating sampling procedures inside the lab and in a field setting at a nearby pond.

The video is being sent to clients in sample supply shipments and is available online at www.src.sk.ca/water-sampling.





KEY PERFORMANCE INDICATOR HIGHLIGHT:
TECHNICAL EXCELLENCE; CLIENT
RELATIONSHIPS

SLURRY PIPELINE DESIGN AND OPERATION COURSE

Each year, SRC's Pipe Flow Technology Centre™ hosts a comprehensive course on slurry pipeline design. Since first offering the course in 1997, approximately 400 engineers have received training in slurry pipeline design and operation.

Mining companies use slurry pipelines to transport ore from mines to processing plants and to transfer waste left after minerals have been extracted from ore. In Canada, slurry pipelines are widely used by the oil sands industry and by base metal, potash and uranium producers.

In partnership with the international engineering firm Paterson and Cooke, experts from the SRC Pipe Flow Technology Centre™ deliver a course that fills a need for engineers who often do not receive enough instruction on slurry pipeline transportation in university to design new systems or tackle problems that arise in existing systems.

"We have spent many years studying slurries and, over those years, we have developed a good understanding of the principles governing their flow," says Dr. Randy Gillies, an SRC distinguished engineer and expert in pipe flow technology. "This course is our way of passing on what we have learned so that it can be used by industry in Canada and elsewhere to develop energy efficient, cost-effective processes."

Over the four-day course, participants learn about the basic principles for designing slurry pipe flows and how to apply their plans to real world pipeline projects. They are also trained to use SRC's computer-based flow model to see how their designs could

turn out. And they get to conduct hands-on laboratory tests at SRC's Pipe Flow Technology Centre™.

"The hands-on sessions in the lab were immensely helpful in gaining the practical understanding of slurry pipeline design and operation," says Peter Poos, an engineer with J Cubed Engineered Solutions.

"Literally seeing the theory come to life in the apparatus that SRC has assembled in their lab drove the course information home and embedded the principles much more deeply than classroom learning alone could have."

The course's success can be attributed to SRC's experience conducting hundreds of slurry pipeline research and development programs at the SRC Pipe Flow Technology Centre™.

"Our company is honoured to participate in the slurry pipeline course hosted by the SRC Pipe Flow Technology Centre," says Dr. Robert Cooke, a principal of Paterson and Cooke. "By transferring knowledge and skills developed by SRC over more than 45 years, the course better equips a new generation of engineers and scientists with the skills required to create energy efficient, environmentally sensitive projects."

Established in 1961, the SRC Pipe Flow Technology Centre™ is internationally recognized for researching, designing and demonstrating hydrotransport technologies. Its full-scale physical models and computer-based flow models have helped companies from Saskatchewan and around the world solve difficult solids transportation issues.

KEY PERFORMANCE INDICATORS (KPIs)

SHAREHOLDER VALUE

As a Treasury Board Crown Corporation, SRC is responsible to its owner, the Province of Saskatchewan, and hence the people of Saskatchewan. To ensure that SRC is creating value for its stakeholders, this objective is defined by SRC's mission statement: "to strengthen the Saskatchewan economy with quality jobs and a secure environment through the responsible application of science and technology." Measurement of this objective includes assessing SRC's economic impact in Saskatchewan, including jobs that were created or maintained. It also encompasses environmental and/or social impacts such as energy conservation, reduced greenhouse gas emissions, improved air quality and safety.

Objective	Measure	Target	Actual
Shareholder Value Strengthen the Saskatchewan economy with quality jobs and a secure environment through the responsible application of science and technology.	<u>Economic Impact</u> Economic impact of SRC as measured by the annual economic impact assessment.	≥ \$300M	\$447M
	<u>Quality jobs</u> Number of jobs created or maintained in Saskatchewan as measured by the annual economic impact assessment.	≥ 2,000 jobs	738 jobs
	<u>Environmental and/or social impact</u> Total dollar value of projects focused on or containing a substantial component of achieving positive environmental or social impacts.	≥ \$6M	\$13M

FINANCIAL MANAGEMENT

SRC must operate in a fiscally responsible manner in order to stay in business. There are three key objectives associated with this KPI. The organization aims to provide a positive financial return. We strive to utilize the provincial investment—approximately 27 per cent of our total revenues—in an effective and appropriate fashion. We also purchase appropriate capital assets each year to ensure we are maintaining our leading-edge position.

Objective	Measure	Target	Actual
Financial Management Provide a positive financial return, utilize provincial investment (PI) appropriately and purchase appropriate capital assets each year.	<u>Net income</u> Consolidated net income from SRC operations before Pay-at-Risk payments.	\$900k	\$2,398k
	<u>Mandate effectiveness</u> Mandate effectiveness as measured by the annual economic impact assessment.	≥ 35 (\$ economic impact/\$ provincial investment)	37
	<u>Investment in the future</u> Investment in the future as measured by the dollar amount of provincial investment utilized in Innovation Fund and TecMark projects.	\$704k	\$580k
	<u>Capital asset purchases</u> Purchase of appropriate capital assets (equipment and leasehold improvements).	≥ \$2.7M	\$5.3M



CLIENT

SRC delivers a variety of contract services to its client base. In fact, in 2008-09, SRC served over 1,850 clients. Our reputation as an independent, quality service provider is important to our clients and therefore of utmost importance to the organization. The objective of the KPI is to understand and deliver quality results that SRC's clients value.

Objective	Measure	Target	Actual
Client Understand and deliver quality results that our clients value.	<u>Client survey results</u> Client satisfaction as measured by annual client survey results: <ul style="list-style-type: none"> clients that would return to SRC clients that would refer SRC to others satisfaction with overall quality of the product or service received 	>95% >95% >95% very satisfied or satisfied	100% 98% 97%

GROWTH

In order to ensure we are meeting the needs of the marketplace and helping Saskatchewan to be globally competitive, SRC has identified growth as a key factor to support this. The objective of this KPI is to grow SRC's revenue base in order to achieve and maintain critical mass in each business area, expand our service offerings and deliver additional impacts under shareholder value.

Objective	Measure	Target	Actual
Growth Grow SRC's revenue base in order to achieve and maintain critical mass in each business area, to be able to expand our service offerings and to be able to deliver additional impacts under Shareholder Value.	<u>Revenue Growth</u> Increase in total outside revenue.	\$2.5M	\$3.7M



PEOPLE

SRC's most important resource is its team of dedicated employees. It is our employees who keep the organization moving forward through their varied expertise, knowledge and skills. The objective of this KPI is to develop, inspire and motivate SRC's employees. We do this by supporting professional development activities, ensuring a safe workplace and delivering progressive compensation systems.

Objective	Measure	Target	Actual
People Develop, inspire and motivate SRC's employees.	<u>Employee satisfaction</u> This category will not be reported for 2008/2009 as agreed upon with the Board. The new measure for 2009/2010 is Employee Engagement as measured by annual Employee Engagement Survey results. Targets will be set after pilot test in 2009/2010.		Not applicable
	<u>Appropriate training</u> Appropriate training is supported and financed for employees.	>90% of targeted training for the year >95% of employees receiving ≥4 hours of regular training.	SRC 101 developed, launched and delivered >76%
	<u>Appropriate compensation</u> Appropriate performance-based compensation is delivered, as measured by having sufficient net income earned and objectives delivered to support payment of performance-based compensation.	Pay ≥90% of Pay-at-Risk (PAR) plans	100%
	<u>Provide a safe and healthy workplace</u> Minimize lost-time incidents (LTIs).	<1.5 per 200,000 hours worked	2.83
	Deliver the key priorities outlined in each year's update of the SRC Safety Strategy.	>90% completion	86%
	Strong positive annual employee survey results in safety categories:		
	• Percentage of employees that self-assess as being deeply or quite involved in health and safety initiatives at SRC.	≥22%	44%
	• Percentage of employees that self-assess as being very or moderately satisfied with the safety performance of SRC.	≥75%	94%
	<u>Diversity</u> Create an environment that values diversity.	• Implement the Cultural Diversity Strategy.	Completed
	Implement key priorities outlined in each year's update to the Diversity Strategy.	• Utilize benchmark data to establish specific targets, assess progress and move to continuous improvement as appropriate.	83%



CORPORATE SOCIAL RESPONSIBILITY

SRC recognizes the importance of conducting business in a socially and environmentally responsible manner and made this the focus of this KPI. This focus is not only encouraged through SRC's internal functions, but extends to its projects.

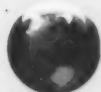
Objective	Measure	Target	Actual
Corporate Social Responsibility Conduct business in a socially and environmentally responsible manner.	<u>Corporate Social Responsibility</u> Implement key priorities outlined in each year's update to the Corporate Social Responsibility Strategy.	Assess progress and move to continuous improvement as appropriate.	Strategy was approved in March 2009 ~90% completion

INTERNAL PROCESS EXCELLENCE

The objective of the Internal Process Excellence KPI is to have SRC achieve and maintain excellence in its internal processes, including technical excellence, operational efficiency, internal management and leadership, visibility and recognition, risk management and quality management. To support this KPI, SRC has developed several strategies to provide a framework and vision for related areas.

Objective	Measure	Target	Actual
Internal Process Excellence Achieve and maintain excellence in internal processes.	<u>Technical excellence</u> Implement key priorities outlined in each year's update to the Technical Excellence Strategy.	>90% completion	~85% completion
	<u>Internal management and leadership</u> <ul style="list-style-type: none"> Develop and gain Board approval for the 2009-10 Operational/Financial Plan. Maintain a succession plan for key positions. 		Op/Fin Plan was approved in March 2009 100% completion
	<u>Visibility and recognition</u> Achieve a high state of visibility and recognition by implementing key priorities outlined in each year's update to the Communications/Branding Strategy.		~85% completion
	<u>Risk management</u> <ul style="list-style-type: none"> Implement key priorities outlined in each year's update to the Enterprise Risk Management (ERM) Strategy. Adopt ERM principles in the development of the 2009-10 Operational/Financial Plan. 		~90% completion
	<u>Quality management</u> Implement key priorities outlined in each year's update to the Quality Management Strategy.		~70% completion**

** Intentionally deferred one tactic.



CORPORATE GOVERNANCE

AUTHORITY

The Saskatchewan Research Council (SRC) is a Treasury Board Crown Corporation governed by *The Research Council Act*. Within this framework, the Board formulates policy and delegates the responsibility and authority for the ongoing management of the corporation to the President and CEO.

BOARD RESPONSIBILITIES

The Board ensures that the activities of the corporation are carried out under the terms of *The Research Council Act*. The Board oversees the stewardship of the corporation and has responsibility for strategic planning and monitoring financial and business performance. The Board ensures that management has systems in place to identify and manage the principal risks of the corporation's business.

BOARD COMPOSITION AND COMPENSATION

The SRC Board is comprised of nine members with a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community including individuals from business, industry, the public sector and academic institutions.

Eight directors, including the Chair, are independent of SRC management. The one related director is the President and CEO of the corporation.

Board members (except for members who are government employees) receive an honorarium for meetings attended. The level of compensation is

established by Treasury Board. Members are allowed travel and associated expenses at SRC approved rates.

THE BOARD AND MANAGEMENT

The Board focuses on the strategic leadership of the corporation and does not become involved in day-to-day management, but delegates and entrusts operational decisions to senior management, holding senior management accountable for the company's performance, its long-term viability and the achievement of its objectives.

COMMITTEES

The Board of Directors has established the following committees to address specific areas of Board responsibility:

Audit and Finance Committee

The Audit and Finance Committee is responsible for monitoring, advising and making recommendations to the Board regarding all aspects of financial planning and the financial management of the organization. The Audit and Finance Committee acts as the communication link between the Board of Directors and the Provincial Auditor.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for monitoring, advising and making recommendations to the Board regarding the governance strategy of the corporation, assessing and evaluating Board and CEO performance, administering the Board-CEO relationship and monitoring and assessing risk within the corporation.



Report of Management

Year Ended March 31, 2009

The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

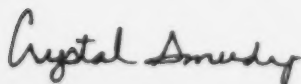
Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit and Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The Provincial Auditor of Saskatchewan has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and his report follows.



Laurie Schramm
President and CEO



Crystal Smudy, CA
Chief Financial Officer
May 15, 2009

Consolidated Financial Statements

Year Ended March 31, 2009



AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the consolidated statement of financial position of the Saskatchewan Research Council as at March 31, 2009 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. The Council's management

is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements, present fairly, in all material respects, the financial position of the Council as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 15, 2009



Fred Wendel, CMA, CA
Provincial Auditor

Saskatchewan Research Council

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At March 31

(Thousands of dollars)

STATEMENT 1

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,042	\$ 2,522
Accounts receivable	7,673	8,194
Prepaid expenses	224	434
	13,939	11,150
Non-current assets:		
Restricted investment (Note 5)	511	653
Trust investment (Note 9)	1,724	1,356
Property, plant and equipment (Restated - Note 3), (Note 6)	19,799	18,327
	\$ 35,973	\$ 31,486
LIABILITIES AND PROVINCE'S EQUITY		
Current liabilities:		
Accounts payable	\$ 3,291	\$ 1,673
Unearned revenue	5,649	3,324
Deferred revenue (Note 8)	396	477
Accrued pension benefit liability (Note 4)	102	190
Salaries, wages and vacation payable	1,620	1,676
	11,058	7,340
Non-current liabilities:		
Sick leave benefits payable	207	209
Asset retirement obligation (Note 9)	3,093	3,416
Deferred revenue (Note 8)	2,209	2,580
	16,567	13,545
Province's equity:		
Contributed surplus	922	922
Retained earnings - unappropriated (Statement 2)		
(Restated - Note 3)	17,973	16,366
Retained earnings - appropriated (Statement 2)	511	653
	19,406	17,941
	\$ 35,973	\$ 31,486

(See accompanying notes to the financial statements)



Saskatchewan Research Council

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended March 31

(Thousands of dollars)

STATEMENT 2

	2009	2008
Revenue:		
Contracts	\$ 31,881	\$ 30,961
Grant - General Revenue Fund	12,115	8,960
Grant - Fermentation Facility (Note 8)	87	454
Grant - Capital Enhancements (Note 8)	366	366
Research donations	-	347
Interest revenue	483	160
Change in restricted investment (Note 5)	(142)	(38)
	<u>44,790</u>	<u>41,210</u>
Expenses:		
Salaries and benefits	21,516	18,077
Supplies and services	12,860	9,316
Accommodation charges	5,683	5,437
Amortization of property, plant and equipment	2,901	2,740
Amortization of Fermentation Facility assets (Note 8)	87	454
Amortization of Capital Enhancements funded assets (Note 8)	366	366
	<u>43,413</u>	<u>36,390</u>
Net income from operations	1,377	4,820
Defined benefit pension plan recovery (expense) (Note 4)	88	(278)
Net income	1,465	4,542
Retained earnings - unappropriated, beginning of year (Restated - Note 3)	16,366	11,786
Change in appropriated amount during year (Note 5)	142	38
Retained earnings - unappropriated, end of year - to Statement 1	<u>\$ 17,973</u>	<u>\$ 16,366</u>
Retained earnings - appropriated, beginning of year	\$ 653	\$ 691
Change in appropriated amount during year (Note 5)	(142)	(38)
Retained earnings - appropriated, end of year - to Statement 1	<u>\$ 511</u>	<u>\$ 653</u>

(See accompanying notes to the financial statements)



Saskatchewan Research Council

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended March 31

(Thousands of dollars)

STATEMENT 3

	2009	2008
Cash flows from (used in) operating activities:		
Cash receipts from contracts	\$ 34,652	\$ 33,320
Cash receipts from General Revenue Fund	12,082	8,993
Cash receipts from donations	-	347
Cash paid to suppliers and employees	(38,144)	(33,939)
Interest received	483	160
Cash flows from operating activities	9,073	8,881
Cash flows from (used in) investing activities:		
Purchase of trust investment (Note 9)	(260)	(260)
Purchase of property, plant and equipment	(5,293)	(5,173)
Cash flows used in investing activities	(5,553)	(5,433)
Net increase in cash and cash equivalents	3,520	3,448
Cash and cash equivalents (bank indebtedness), beginning of year	2,522	(926)
Cash and cash equivalents, end of year	\$ 6,042	\$ 2,522

(See accompanying notes to the financial statements)



Saskatchewan Research Council

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009

1. STATUS OF SASKATCHEWAN RESEARCH COUNCIL

Saskatchewan Research Council ("the Council") was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a body corporate which receives monies appropriated by the Legislature for these purposes. It is also empowered to conduct research under contract for others and to receive financial assistance pursuant to agreements with other similar agencies.

2. SUMMARY OF ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board, the Council is classified as a government business-type organization. The financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting principles are considered to be significant:

a) Consolidation Principles and Basis of Presentation

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements. TecMark International Commercialization Inc. ("TecMark") was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. The purpose of the Corporation is to assist in the commercialization of technology for inventors, entrepreneurs and partner institutions in the Province of Saskatchewan.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key estimates within the financial statements include the asset retirement obligation, accounts receivable and property, plant and equipment amortization.

c) Revenue Recognition

Revenue from contract work is recognized on the percentage-of-completion method, which recognizes revenue as a contract progresses.

Unbilled revenues are accrued to the year-end for these contracts, while pre-billed revenues received are classified as unearned revenue.



Saskatchewan Research Council

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable.

The Capital Enhancements and Fermentation Facility revenues are recognized at the same rate as the related assets are put in use and amortized.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue when the related expenses are incurred.

Donations revenue is recognized upon receipt based on the value of the assets received.

d) Cash and Cash Equivalents

Cash and cash equivalents consists of balances with financial institutions and investments in redeemable guaranteed investment certificates with a Canadian bank, which have a term to maturity of one year or less at time of purchase and are presented net of cash on hand less outstanding cheques.

e) Property, Plant and Equipment

The assets of the Council are initially recorded at cost, including labour, material and overhead for self-constructed assets.

Amortization of property, plant and equipment is provided over the estimated useful lives of the assets on the following basis:

Straight-line method

Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Fermentation and GenServe Equipment	10 years
Leaseholds	2 - 12 years

f) Restricted Investment

The investment is comprised of deposits in units in a balanced mutual fund managed by a professional investment manager.

These investments have been classified as held-for-trade ("HFT") and are carried at fair value with unrealized gains or losses recognized in the consolidated statement of operations and retained earnings. Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year-end is shown as a change in restricted investment on the consolidated statement of operations and retained earnings.



Saskatchewan Research Council

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

g) Trust Investment

The trust investment is comprised of guaranteed investment certificates held by a trust company. This investment has been classified as held-to-maturity ("HTM") and is carried at amortized cost.

h) Asset Retirement Obligation (ARO)

The fair value of legal obligations to retire long-lived assets is recorded as an ARO with a corresponding increase in the carrying amount of the related assets. The recorded ARO increases over time through accretion charges to earnings. The capitalized assets are amortized to income consistent with the amortization of the related assets.

i) Future Changes in Accounting Policy

The Accounting Standards Board (AcSB) has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Council has undertaken a project to assess the potential impacts of the transition to IFRS and will be developing a detailed project plan to ensure compliance with the new standards. The Council will adopt these new standards effective April 1, 2011 and is currently assessing the impact.

3. RESTATEMENT OF PROPERTY, PLANT AND EQUIPMENT

In March 2008 the Council changed its software system for recording its property, plant and equipment. During the preparation of the Council's financial statements for the year ended March 31, 2009, an error was identified in the opening balance of property, plant and equipment as at March 31, 2007. The error occurred from entering the incorrect accumulated amortization into the new software system resulting in a \$694,000 overstatement of property, plant and equipment and retained earnings - unappropriated. As a result, the Consolidated Statement of Financial Position and the Consolidated Statement of Operations and Retained Earnings for the year ended March 31, 2009 have been restated to reflect the correct balances of property, plant and equipment and retained earnings - unappropriated for March 31, 2008. The error does not affect the March 31, 2009 results. A summary of the effects of the aforementioned adjustments required to the March 31, 2008 Consolidated Statement of Financial Position is as follows:



Saskatchewan Research Council

3. RESTATEMENT OF PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As originally reported – 2008 (000's)	Adjustments (000's)	As restated – 2008 (000's)
Assets			
Property, plant and equipment	\$ 19,021	\$ (694)	\$ 18,327
Province's equity			
Retained earnings-Unappropriated beginning of year	12,480	(694)	11,786
Retained earnings-Unappropriated end of year	17,060	(694)	16,366

4. ACCRUED PENSION BENEFIT LIABILITY

The Council maintains a pension plan for its employees. Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the plan was changed to a defined contribution plan. The changes do not affect existing pensioners who will continue to receive benefits as granted. The latest actuarial valuation was performed as at January 1, 2009 by an independent actuary, AON Consulting (AON). This valuation has been extrapolated to March 31, 2009 by AON. A discount rate of 5.6% (2008 – 4.1%) was used in the calculation of the extrapolation. The pension plan has been valued using management's best estimates.

The defined contribution plan had a market value of \$15,118,000 (2007 - \$18,935,000) at December 31, 2008. The value of the defined contribution plan assets and liabilities has not been extrapolated from December 31 to March 31.

By design, the liabilities equal the assets of a defined contribution plan.

The defined benefit obligation has been extrapolated from the January 1 actuarial valuation to March 31. The financial position of the defined benefit plan is as follows:

	2009 (000's)	2008 (000's)
Defined benefit asset at market value, January 1	\$ 1,602	\$ 2,259
Net change in asset value	(20)	(50)
Asset at market value, March 31	1,582	2,209
Defined benefit obligation at January 1	1,767	2,217
Net change in obligation	(83)	182
Obligation, extrapolated to March 31	1,684	2,399
Accrued pension benefit liability, March 31	\$ (102)	\$ (190)



Saskatchewan Research Council

4. ACCRUED PENSION BENEFIT LIABILITY (CONTINUED)

The asset is comprised of London Life Investment Management Ltd. units of a segregated fund that holds units of Phillips, Hager & North Balanced Pension Trust Fund and Canadian Money Market Fund. The Balanced Pension Trust Fund and Canadian Money Market Fund have no fixed interest rate, and returns are based on the performance of the fund. The fair value of the investment is considered to be the market value.

Upon termination of the Plan, any accrued benefit asset remaining, after discharging all liabilities, shall belong to the Council. The accrued benefit asset may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act*, 1992, the *Income Tax Act (Canada)* and the regulations thereunder.

The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act*, 1992 (Act). The Act requires the Plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The valuation summarizes whether the Plan's current assets and future contributions will be sufficient to pay the benefits granted under the Plan. The actuarial valuation for funding and solvency purposes prepared by AON Consulting Inc. as at December 31, 2008 was filed with the Superintendent. The valuation disclosed a solvency deficiency of \$301,000 (2007 - \$208,000), which the Council is funding via monthly payments of \$6,241 until December 31, 2012 and \$2,408 from January 1, 2013 to December 31, 2013. In addition, the valuation disclosed a funding deficiency of \$165,000 (2007 - \$42,000 surplus). The Council is funding this deficiency over the next fifteen years via monthly payments of \$1,378 from January 1, 2009 to December 31, 2023, which are in addition to the payments to address the solvency deficiency.

The defined benefit pension plan recovery of \$88,000 (2008 - \$278,000 expense) is the year over year change in the accrued benefit asset and obligation. The defined contribution pension plan expense (employer contributions) for the year was \$916,000 (2008 - \$724,000). The benefits paid from the defined benefit pension plan during the year totaled \$310,000 (2008 - \$333,000). Effective January 1, 2003 the Council is not being reimbursed for administrative costs incurred by the pension plan.

5. RESTRICTED INVESTMENT

Restricted investment represents the Technology-in-Action Fund ("Fund"), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services.

The Council received a binding ruling from the Canada Revenue Agency that accepts this as a "Gift to the Crown".

The Council maintains a separate account for the capital contributions and all investment income earned.



Saskatchewan Research Council

5. RESTRICTED INVESTMENT (CONTINUED)

The balance of the Fund at March 31 is as follows:

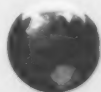
	2009 (000's)	Change (000's)	2008 (000's)
Capital contributions	\$ 504	\$ -	\$ 504
Investment earnings	193	(126)	319
Technology grants, fund expenses	(186)	(16)	(170)
Total	\$ 511	\$ (142)	\$ 653

The capital contributions are invested in a Canadian balanced mutual fund. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the mutual fund. Additional units in the mutual fund are acquired when distributions are made by the mutual fund. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units. The investment earnings include the actual earnings of the investment and the year over year change in the market value of the assets. The Fund owes the Council \$Nil (2008 - \$16,600) for activities incurred during the year.

6. PROPERTY, PLANT AND EQUIPMENT

		2009		2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(Restated) (000's)
Buildings	\$ 601	\$ 556	\$ 45	\$ 90
Leaseholds	10,493	5,918	4,575	3,950
Computers	3,341	2,555	786	730
Equipment	27,773	15,060	12,713	11,619
Automotive	344	233	111	168
Slowpoke Asset	1,612	765	847	1,510
Fermentation Facility	3,359	3,359	—	—
GenServe Equipment	562	562	—	56
Fermentation Upgrade	303	141	162	193
Land	11	—	11	11
Construction in Progress	549	—	549	—
	\$ 48,948	29,149	\$ 19,799	\$ 18,327

Included in the cost and net book value of equipment is \$208,000 (2008 - \$512,000) of assets that were not amortized because they were not ready for use. Of this amount \$187,000 (2008 - \$187,000) relates to the Grant - Capital Enhancements funded assets and the balance of \$21,000 (2008 - \$325,000) is for standard equipment purchases and leasehold improvements.



Saskatchewan Research Council

7. LINE OF CREDIT

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed \$5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at the Bank of Montreal prime rate.

During the year, the Council did not utilize this line of credit.

8. DEFERRED REVENUE

The Council received contributions for certain property, plant and equipment, which it records as deferred revenue until such time as the related assets are put in use and amortized. Revenue is recognized based on the amortization of the related assets.

a) Fermentation Facility

The Fermentation Facility is comprised of GenServe Equipment, Fermentation Equipment and the Fermentation Upgrade. The GenServe Equipment and Fermentation Equipment were funded by the Agri-Food Innovation Fund (AFIF). The Fermentation Upgrade was funded under the Western Economic Partnership Agreement by Saskatchewan Ministry of Energy and Resources and Western Economic Diversification Canada.

b) Capital Enhancements

The Council received specific funding from the Province to replace aging equipment and acquire enhanced equipment.

	2009 (000's)	2008 (000's)
Current Portion		
GenServe	\$ -	\$ 56
Fermentation Upgrade	30	55
Capital Enhancements	366	366
	396	477
Long Term Portion		
Fermentation Upgrade	133	138
Capital Enhancements	2,076	2,442
	2,209	2,580
Total Deferred Revenue	\$ 2,605	\$ 3,057



Saskatchewan Research Council

8. DEFERRED REVENUE (CONTINUED)

During the year, the Council recognized the following amounts as revenue based on the amortization of the related property, plant and equipment.

	2009 (000's)	2008 (000's)
Fermentation Facility		
GenServe	\$ 57	\$ 56
Fermentation Equipment	-	343
Fermentation Upgrade	30	55
	\$ 87	\$ 454
Amortization of Capital Enhancements	\$ 366	\$ 366

9. TRUST INVESTMENT AND ASSET RETIREMENT OBLIGATION (ARO)

The Canadian Nuclear Safety Commission's (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

The fair value of legal obligations to retire the SLOWPOKE reactor is recorded as an ARO with a corresponding increase in the carrying amount of the related assets. The recorded ARO increases over time through accretion (interest) charges to earnings. The accretion expense is calculated using an interest rate that equates to a risk-free rate adjusted for the credit standing of the Council and is included in property, plant and equipment amortization. The capitalized assets are amortized to income consistent with the amortization of the related assets.

The determination of the ARO is based on the current estimated costs of decommissioning. The total undiscounted obligation at 2030 is \$6,700,000 and the inflationary factor assumed in determining this amount was 2%. The obligation at year-end is \$3,093,000 (2008 - \$3,416,000). In 2009, the Council reassessed the estimated decommissioning plan and increased the expected time frame for decommissioning. Therefore the Council decreased the obligation by \$442,000 (2008 - \$1,568,000 increase) and recognized accretion expense of \$119,000 (2008 - \$115,000). The discount credit-adjusted risk-free rate, used to value the obligation in 2009 was reassessed to 3.75% (2008 - 3.5%). The eventual decommissioning is estimated to occur in 2030 (previously estimated to occur in 2015) and is estimated to require eighteen months to complete.

The Council conducted a sensitivity analysis and determined that a 1% decrease in the discount rate would increase the obligation by \$698,000 and decrease the recognized accretion expense by \$15,000. A 1% increase in the discount rate would decrease the obligation by \$564,000 and increase the recognized accretion expense by \$1,000. A five year reduction in the estimated decommissioning date would result in an increase of the obligation by \$281,000 and an increase in the current year accretion expense by \$7,000.

At March 31, 2009, the Council has invested \$1,724,000 (2008 - \$1,356,000) in a legal trust for the purpose of settling the ARO. This trust agreement is a condition of the operating license issued to the Council by CNSC. An initial investment of \$500,000 was made in 2004.



Saskatchewan Research Council

9. TRUST INVESTMENT AND ASSET RETIREMENT OBLIGATION (ARO) (CONTINUED)

Investments of \$260,000 were made in fiscal years 2006, 2007, 2008 and 2009. An investment of \$260,000 is required next year. The terms of the trust agreement require the trust be invested in GIC's and require the Council to contribute to the trust account each year until the balance equals the original estimated decommissioning costs of \$1.8 million. The funds cannot be used for any purpose without prior approval of CNSC. The Council will continue to work with CNSC to ensure that the trust adequately reflects the requirements of the plan.

10. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Council by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for the following:

During the year, the Council paid \$4,424,000 (2008 - \$4,381,000) to the Ministry of Government Services and Saskatchewan Opportunities Corporation (SOCO) for accommodation charges on buildings.

At year-end, the Council has lease commitments with SOCO requiring minimum lease payments of:

2010	\$3,947,000
2011	247,000
2012	nil
2013	nil
2014	nil

In 2009, the Council purchased supplies and services for \$1,095,000 (2008 - \$1,636,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of \$4,883,000 (2008 - \$3,763,000) with related parties.

As at March 31, the Council had \$2,650,000 (2008 - \$235,000) in related party accounts receivable.

The Council has \$2,524,000 (2008 - \$2,961,000) of deferred revenue from related parties as at March 31. Of the \$2,524,000, \$Nil (2008 - \$56,000) is related to the GenServe funding from AFIF, \$82,000 (2008 - \$97,000) is related to the Fermentation Upgrade funding and \$2,442,000 (2008 - \$2,808,000) is related to the Capital Enhancements funding.

The Council has \$4,752,000 (2008 - \$2,655,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31.



Saskatchewan Research Council

10. RELATED PARTY TRANSACTIONS (CONTINUED)

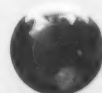
During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

11. COMPARISON OF PLANNED AND ACTUAL RESULTS

A comparison of actual to budgeted results for each line item on the statement of operations follows:

	Actual 2009	Budget 2009	Actual 2008 (Restated)	Budget 2008
	(000's)	(000's)	(000's)	(000's)
Revenue:				
Contracts	\$ 31,881	\$ 36,390	\$ 30,961	\$ 32,174
Grant - General				
Revenue Fund	12,115	9,082	8,960	8,842
Grant - Fermentation Facility	87	429	454	429
Grant - Capital				
Enhancements	366	643	366	643
Research donations	-	-	347	-
Interest revenue	483	100	160	65
Change in restricted investment	(142)	-	(38)	-
	44,790	46,644	41,210	42,153
Expenses:				
Salaries and benefits	21,516	21,947	18,077	18,597
Supplies and services	12,860	15,484	9,316	13,230
Accommodation charges	5,683	5,258	5,437	5,388
Amortization of property, plant and equipment	2,901	2,851	2,740	2,837
Amortization of Fermentation Facility assets	87	429	454	429
Amortization of Capital Enhancements funded assets	366	643	366	643
	43,413	46,612	36,390	41,124
Net income from operations	1,377	32	4,820	1,029
Defined benefit pension plan recovery (expense)	88	-	(278)	-
Net income	\$ 1,465	\$ 32	\$ 4,542	\$ 1,029



Saskatchewan Research Council

12. FINANCIAL INSTRUMENTS

On April 1, 2008, the Council adopted CICA Handbook Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation. These sections replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Council's risks arising from financial instruments. There was no financial impact to the financial operations and financial position as a result of the implementation of these new standards.

The Council's significant financial instruments consist of accounts receivable, accounts payable, salary, wages and vacation payable, sick leave benefits payable, and the trust and restricted investments.

Credit Risk:

Credit risk is the risk of an unexpected loss by the Council if a customer or third-party to a financial instrument fails to meet its contractual obligations.

Until the Council's surplus cash is required to fund operations it is invested in a variety of highly rated, risk-free instruments such as guaranteed investment certificates.

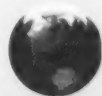
The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. At March 31, 2009, the Council had an allowance for doubtful accounts of \$614,000 (2008 - \$90,000). The increase in the allowance for doubtful accounts is primarily due to the current economic conditions.

Liquidity Risk:

Liquidity risk is the risk that the Council is unable to meet its financial obligations as they fall due. The Council ensures that there is sufficient capital in order to meet short-term business requirements, after taking into consideration cash flows from operations and the Council's holdings of cash and cash equivalents and the availability of the line of credit. The Council believes that these sources will be sufficient to cover short-term and long-term cash requirements.

Interest Rate Risk:

The Council's exposure to floating interest rate risk is generally limited to certain cash and cash equivalents. The Council's cash and cash equivalents include highly liquid investments with a term of one year or less that earn interest at market rates. The Council manages its interest-rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.



12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Values:

The fair values of the accounts receivable, accounts payable, salary, wages and vacation payable, and sick leave benefits payable approximate their carrying value due to the short-term nature of these instruments. The fair value of the restricted investment is considered to be market value, the calculation of which is detailed in Note 2. Due to the short-term nature of the trust investment, the cost plus accrued interest is considered to be equal to market value.

13. CAPITAL DISCLOSURES

On April 1, 2008, the Council adopted CICA Handbook Section 1535 – Capital Disclosures. The standard requires disclosures of the Council's objectives, policies and processes for managing capital, quantitative data about what the Council regards as capital and whether the Council has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals.

The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings.

The usage of this capital is restricted in accordance with the *Financial Administration Act, 1993*.

The Council is not subject to capital requirements.

14. COMPARATIVE FIGURES

Certain 2008 financial statement balances have been reclassified to conform with the presentation of the 2009 figures.



At SRC we value Integrity, Teamwork, Performance Excellence, and Learning

INTEGRITY

- We treat people with respect, fairness, honesty, patience, understanding and trust.
- We are an equal opportunity employer and respect diversity.
- We are a responsible corporate citizen committed to the health and safety of people and the environment.
- We practice high ethical and professional standards.

TEAMWORK

- We are committed to achieving common goals through teamwork.
- We collaborate, listen and share information within SRC and with our partners.
- We consistently present a total corporate image.
- We participate actively within our networks to the benefit of clients, colleagues and the community.

PERFORMANCE EXCELLENCE

- We are a financially responsible organization.
- We lead by example. We are accountable for our actions, successes and failures.
- We establish and communicate clear expectations to staff, clients and partners.
- We recognize the accomplishments of our colleagues and of the organization as a whole.
- We actively seek new clients, and strive to retain existing clients.
- We demonstrate our commitment to clients by keeping lines of communication open, providing quality products and services and delivering on time and within budget.

LEARNING

- We facilitate and acknowledge personal and professional growth.
- We strive to achieve excellence through innovation and continuous improvement.
- We develop or acquire appropriate knowledge as needed to achieve the best solutions for our clients and partners.
- We learn from our successes and our failures.



Exploring the *Next Frontier*



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Email: info@src.sk.ca



Saskatchewan Research Council

2008-2009 Annual Report

**Supplementary Information
(unaudited)**

Details of Revenue and Expense**Saskatchewan Research Council (Vote 35)****Mission Statement**

The Saskatchewan Research Council's (SRC) mission is to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment. We do it through research, development, and the transfer of innovative scientific and technological solutions, applications and services.

SRC creates wealth through the responsible application of science and technology to assist Saskatchewan industry to be globally competitive.

Year ended March 31**2009****Transfers**

All expenses paid from this vote were transfers to the Saskatchewan Research Council.

Saskatchewan Research Council**\$ 12,115****(Vote 35)**

This program provides funding for the Saskatchewan Research Council:

(Thousands of dollars)**\$000's****Revenue:**

Contracts	\$ 31,881
Grants - General Revenue Fund	12,115
Grants - Fermentation Facility	87
Grants - Capital Enhancements	366
Research donations	0
Interest revenue	483
Change in restricted investment	(142)
	44,790

Expenses:

Personal services	21,516
Travel	1,095
Transfers	0
Contract services	2,989
Communications	263
Supplies and services	8,513
Accommodation charges	5,683
Equipment, other capital assets and amortization	3,354
	43,413

Net income from operations**1,377****Defined benefit pension plan expense****88****Net income****\$ 1,465**

Expenses Detail**Personal services**

Unaudited list of individuals who received payments for salaries, wages, honorariums, and compensation for personal service.

	\$000's		\$000's
Anweiler, Darren	92	Marshall, Colleen	50
Archibald, Pat	55	McCubbing, Michael	84
Arnold, Toby	162	McIlmoyl, Therese	105
Ashton, Robert	59	McKibben, Melissa	66
Babich, Ken	57	McLean, Greg	53
Baptiste, Cecilia	55	McVicar, Grant	140
Barker, Christopher	64	Merasty, Robert	73
Beaulieu, Carol	50	Merilees, Jesse	59
Begrand, Ray	74	Millar, Robert	73
Beisel, Joan	88	Millhouse, Maureen	52
Bradley, Joanne	76	Mircea, Cristiana	80
Buhl, Regan	67	Moody, Mary	64
Chorney, David	69	Moser, Pat	66
Chrusch, Loran	73	Muldoon, Joseph	86
Dick, Robin	83	Murray, Craig	152
Dill, Kalindi	56	Ng, Judy	59
Doerksen, Kari	62	Nicolichuk, Nick	62
Douglas, Chris	84	Nyirfa, Wanda	151
Etcheverry, Mona	57	Ortmann, Roxane	60
Evans, Verda	66	Pappas, Ernie	184
Exelby, Donald	71	Paur, Brent	98
Freitag, Norman	98	Peter, Nathan	67
Friesen, Amy	66	Polanski, Danna	52
Gartner, Bernard	100	Polishchuk, Laurie	51
Giesinger, Joe	52	Pretorius, Julius	85
Gillies, Randy	120	Radchenko, Ian	53
Gipman, Keith	58	Rai, Satish	91
Godwin, Bob	59	Ranganathan, Ranga	140
Gorgchuck, Lynne	79	Ray, Vince	62
Grier, David	129	Renouf, Gay	57
Grismer, Kenelm	64	Rideout, Ken	67
Hill, Ryan	63	Rispler, Kevin	54
Hill, Sheldon	102	Rodriguez, Prado	66
Holsten, Al	105	Rondeau, Rick	60
Huang, Sam	112	Schergevitch, Paul	74
Hutchence, Keith	90	Schnell, Bart	60
Ingerman, Charles	93	Schramm, Laurier	243
Jackson, Al	62	Schreiner, Bryan	98
Jackson, Cindy	73	Sherwood, Pat	61
Johnston, Mark	105	Shi, Rupan	56
Kelly, Dale	169	Sieber, Ray	88
Klettke, Julie	51	Simpson, Mark	73
Knops, Curtis	58	Simsic, Carla	61
Knorr, Kelly	109	Smith, Hugh	56
Kostiuk, Tamra	50	Smudy, Crystal	189
Kristoff, Brian	132	Snook, Vicky	59
Kurucz, Larry	63	Sorley, David	98
Lang, Kevin	61	Soveran, Douglas	117
Lychak, Joe	64	Spelay, Ryan	75
Lyons, Bette	54	Stanek, Brenda	102
Mak, Tony	58	Sulatisky, Mike	115
Mamer, Stacey	62	Sun, Ruijun	90
Mann, Bruce	56	Tallon, Monique	64

Personal services (cont'd)

	\$000's
Taman Athmer, Erin	65
Tamosiunis, Cindy	56
Thorpe, Jeff	90
Tremblay, Bernard	102
Ullah, Beverly	57
Wallace, Keith	110
Wedewer, Shawn	58
Weekes, Michael	76
Wheaton, Elaine	94
Whiting, Mike	108
Wilkinson, Jason	67
Wilton, Ryan	77
Winder, Kelly	68
Wittrock, Virginia	63
Woo, Gary	69
Wood, Scott	73
Wright, Donna	52
Wu, Kim	53
Young, Kim	105
Yuen, Wo	103
Zacharias, Daniel	58
Zhang, Patrick	72
Zimmer, Jeff	79
Under \$50,000	8,313
Payroll and pension remittances	2,810
	<u>21,516</u>

Travel

Unaudited list of expenditures incurred by Members of the Legislative Assembly, employees and others who provided personal services.

	\$000's
Minister's Travel	0
Employees and others	1,095
	<u>1,095</u>

Transfers

Unaudited list of transfers to individuals, local authorities and other third parties, for which the government does not receive any goods or services directly in return.

	\$000's
Nil	0

Contract services

Unaudited list of specialized professional services.

	\$000's
101108345 Sask. Ltd. (Fred Warwick)	90
Advanced Engine Technology	53
Borden Ladner Gervais	181
Garven & Associates	211
Kutcher, David, Consulting Services	92
Mapcon Mapping	806
March Consulting Associates	104
Max Q Technologies	50
Precision Geomatics	88
Processchem D&D	52
Rak Genetic Consulting	105
Under \$50,000	1,157
	<u>2,989</u>

Communications

Unaudited list of expenditures related to promotion of programs; and non-promotional such as those related to exhibits, displays, and the printing of educational and informational materials and annual reports.

	\$000's
Under \$50,000	263
	<u>263</u>

Supplies and services

Unaudited list of payees for the acquisition of supplies and services used or required to carry out programs. The information below provides details for this category by supplier name. Some suppliers may be listed in more than one category based on the type of purchase.

	\$000's
Agilent Technologies Canada	70
ALS Canada	100
Anachemia Science	272
Avensys	100
Ceda-Reactor	86
Chemstations	58
Cobric Chemicals	99
CTV Saskatoon	59
Dell Computer	158
Ecco Heating Products	110
Fisher Scientific	213
ICBM Services	97
Imation Canada	107
Innovation Place (repairs & maintenance)	356
Linde Canada	137
Logomotion Promotional Product	73
Ministry of Finance	134
Ministry of Government Services (repairs & maintenance)	241
Praxair Products	51
Saskatoon Fluid System	54
SaskTel	227
Sequenom	103
Sigma Aldrich Canada	59
UNIVAR Canada	356
Uranium City Contracting	115
VWR International	107
Under \$50k	4,971
	8,513

Accommodation charges

Unaudited list of payees for the rental, lease and maintenance of facilities.

	\$000's
Bob Wehage	56
Marsh Canada	61
Ministry of Government Services	847
North Star Innovative Developments	367
Saskatchewan Opportunities Corporation	3,599
SaskEnergy	206
SaskPower	217
Under \$50,000	330
	5,683

Equipment, other capital assets and amortization

Unaudited list of payees for the purchase of equipment and other assets used in the delivery of programs. The information below provides details for this category by supplier name. Some suppliers may be listed in more than one category based on the type of purchase.

	\$000's
Agilent Technologies Canada	124
ATS Scientific	81
Beckman Coulter Canada	219
Carmont Construction	845
Compressor Service	104
Dell Computer	230
Dionex Canada	69
Eecol Electric	63
Elution Solutions	146
Fisher Scientific	62
Haid General Construction	77
Innovation Place	222
J.R. Snow Electrical	50
K Bioscience	99
Mandel Scientific	112
National Instruments	93
Northern Glass & Mirror	66
Perkin Elmer Canada	258
PSH Kilns & Furnaces	131
Rotary Micropower	159
Teledyne ISCO	117
VWR International	62
Wheaton Pontiac	56
Wika Instruments	105
Under \$50k	1,743
Equipment and other assets purchased	5,293
Net increase of equipment and other assets	(1,939)
	3,354

